Building

a world-class regional bank

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DBS Bank is the largest banking group in Southeast Asia and is ranked among the top 100 banks in the world. Through the efforts of more than 10,000 DBS employees, we provide comprehensive banking services to more than 5 million customers in the Asia-Pacific region, working to meet the unique needs of individuals and growing enterprises. Our regional network has grown to include 1,424 banking locations in 12 countries. At every DBS location, our emphasis is quality, added value and innovative service at an affordable cost.

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We aim to be **a world-class regional bank**, renowned for quality, added value and innovative service at an affordable cost to our customers.

Performance at a Glance

	1998	1997	1996
Profit & Loss (S$ millions)			
Operating profit	**1,152**	1,019	921
Net profit attributable to members	**223**	436	670
Balance Sheet (S$ millions)			
Customer loans	**56,215**	40,135	31,013
Customer deposits	**73,858**	33,557	30,600
Total shareholders' funds	**9,129**	7,197	6,899
Per Ordinary Share (S$)			
Earnings*	**0.23**	0.54	0.84
Gross dividends*	**0.18**	0.16	0.14
Net tangible asset backing*	**7.67**	8.20	7.82
Selected Ratios (%)			
Return on average total shareholders' funds	**2.68**	6.19	10.30
Operating expenses as % of net income	**35.7****	32.6	33.7
Capital adequacy ratio			
Tier 1	**13.9**	13.6	16.5
Total	**15.6**	15.6	19.9

*Adjusted for the shares arising from the bonus and rights issues in 1998

**Excluded restructuring costs

Financial Highlights

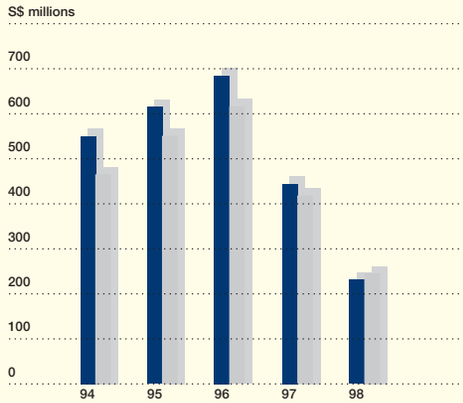
Net Profit After Tax

■ Group
1998: S$222.7 million (-49.0%)
1997: S$436.4 million

■ Bank
1998: S$239.0 million (-40.5%)
1997: S$401.6 million

Group net profit was in 1998 S$222.7 million compared to S$436.4 million in 1997 due mainly to provisions on non-performing loans (NPLs) in Malaysia, Indonesia, Thailand, Korea and the Philippines (Regional Countries). Total provisions made for 1998 were S$996.4 million compared to S$495.5 million for 1997.

Excluding the contribution from POSBank and losses at Thai Danu Bank (TDB), the decline in Group net profit would have been 27.6%.

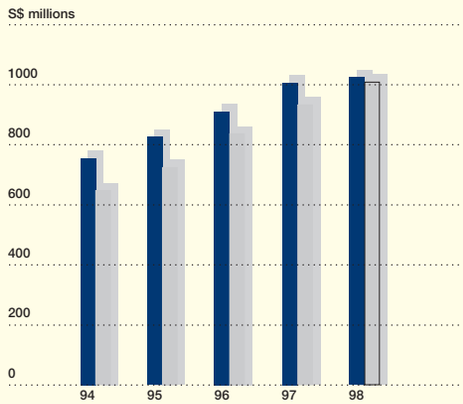


Operating Profit

■ Group
1998: S$1,151.7 million (+13.0%)
1997: S$1,019.4 million

■ Bank
1998: S$1,109.0 million (+18.2%)
1997: S$938.1 million

Group operating profit rose by 13.0% to S$1,151.7 million in 1998, contributed mainly by an increase in net interest income. Excluding the consolidation of POSBank and TDB, growth in Group operating profit would have been 7.9%.



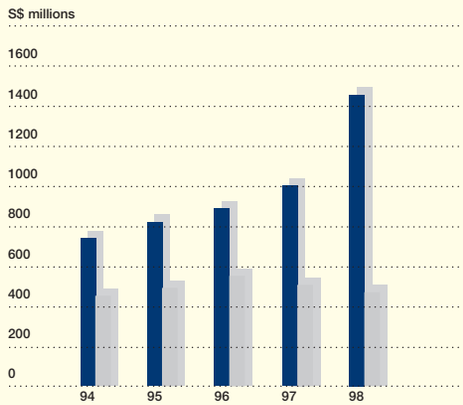
Group Net Interest Income & Non-Interest Income

■ Net Interest Income
1998: S$1,430.0 million (+42.7%)
1997: S$1,001.8 million

■ Non-Interest Income
1998: S$476.1 million (-6.7%)
1997: S$510.5 million

The growth in net interest income was due mainly to higher loan volume and margins; as well as the inclusion of POSBank's net interest income from 1 July 1998 and TDB's net interest income from 1 April 1998. Excluding contributions from POSBank and TDB, growth in net interest income would have been 15.6%.

Fee and commission income declined due to lower loan-related income, stockbroking and fund management fees. Lower dividend income was the result of lower payout by affiliated companies. Other Income, which is market dependent, and rental income were higher.



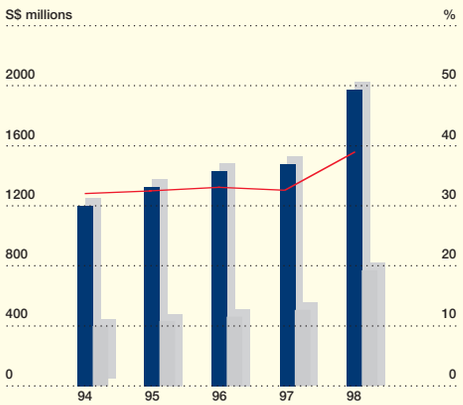
Group Income Before Operating Expenses, Operating Expenses & Ratio of Operating Expenses to Income Before Operating Expenses

■ Income Before Operating Expenses
1998: S$1,906.1 million (+26.0%)
1997: S$1,512.3 million

■ Operating Expenses
1998: S$754.4 million (+53.1%)
1997: S$492.9 million

— Ratio of Operating Expenses to Income Before Operating Expenses
1998: 39.6% (+7.0 percentage points)
1997: 32.6%

The increase in operating expenses was due to the consolidation of POSBank's expenses from 1 July 1998 and TDB's expenses from 1 April 1998 and a S$73.9 million provision for restructuring costs. Excluding these, the increase in operating expenses would have been 1.3%. The expense-to-income ratio excluding restructuring costs would have been 35.7%.



Group Provisions & Provisions as Percentage of Operating Profit

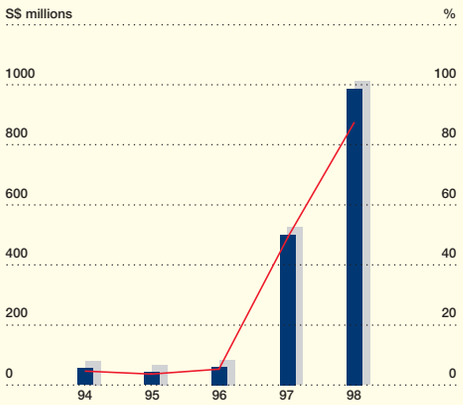
■ Provisions
1998: S$996.4 million (+101.1%)
1997: S$495.5 million

Of the total provisions made by the Group in 1998, S$272.0 million of specific provisions were taken against TDB's loans, S$322.5 million for loans to the Regional Countries (excluding TDB) and S$339.8 million for loans to Singapore borrowers and other countries.

The Group continued to set aside additional special general provisions in 1998 amounting to S$157.8 million to meet contingencies which may arise in the future from its regional exposure.

All classified loans have been fully provided for.

— Provisions as % of Operating Profit
1998: 86.5% (+37.9 percentage points)
1997: 48.6%

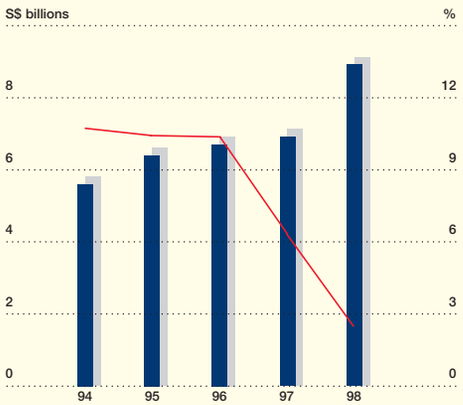


Group Total Shareholders' Funds & Return on Average Total Shareholders' Funds (ROE)

■ Total Shareholders' Funds
1998: S$9.1 billion (+26.8%)
1997: S$7.2 billion

Total shareholders' funds were further strengthened by proceeds from the Bank's 1 for 5 rights issue in May 1998, and the issuance of non-voting convertible preference shares as consideration for the acquisition of the business of POSBank in November 1998.

— Return on Average Total Shareholders' Funds
1998: 2.68% (-3.51 percentage points)
1997: 6.19%

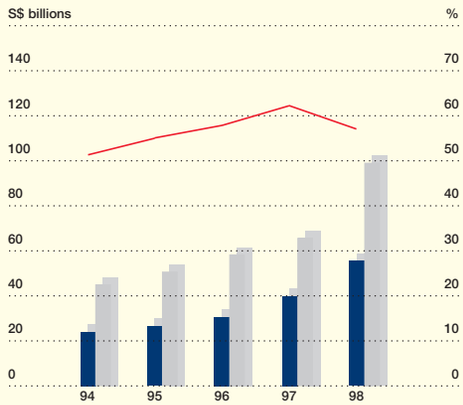


Group Customer Loans & Advances & Customer Loans to Total Assets Ratio

■ Customer Loans & Advances, including Bills Receivable
1998: S$56.2 billion (+40.1%)
1997: S$40.1 billion

■ Total Assets
— Customer Loans to Total Assets Ratio
1998: 56.8% (-4.8 percentage points)
1997: 61.6%

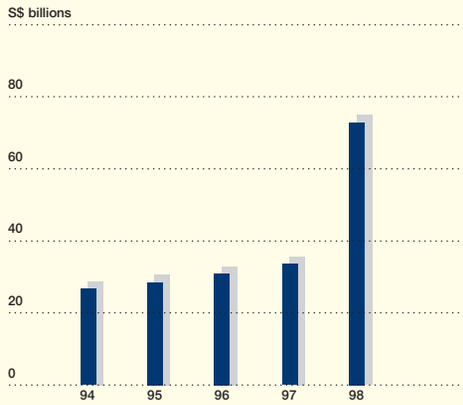
The increase was attributable to the consolidation of POSBank's (S$13.4 billion) and TDB's (S$3.8 billion) loans. Excluding this, customer loans would have declined by 2.8%.



Group Customer Deposits

■ Customer Deposits
1998: S$73.9 billion (+120.1%)
1997: S$33.6 billion

The increase was mainly attributable to the consolidation of POSBank's (S$28.1 billion) and TDB's (S$5.0 billion) deposits. Excluding this, growth would have been 21.4%.
The Group continued to actively manage its liabilities, balancing liquidity and cost.



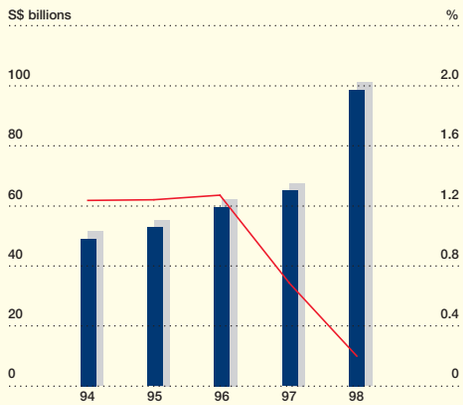
Group Total Assets & Return On Average Total Assets (ROA)

■ Total Assets
1998: S$99.0 billion (+51.9%)
1997: S$65.2 billion

— Return on Average Total Assets
1998: 0.27% (-0.45 percentage points)
1997: 0.72%

The increase was due mainly to the consolidation of POSBank's (S$29.4 billion) and TDB's (S$5.4 billion) assets.

The decline in ROA was due to the lower profit in 1998.



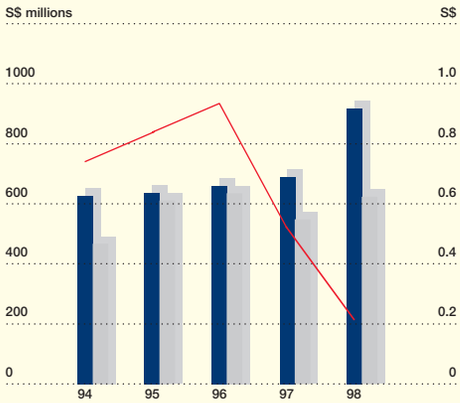
Group Share Capital & Earnings Per Ordinary Share (EPS)

■ Ordinary Share Capital
1998: S$928.1 million (+32.1%)
1997: S$702.6 million

■ Preference Share Capital
1998: S$636.8 million (+18.8%)
1997: S$536.2 million

— Earnings Per Ordinary Share
1998: S$0.23 (-57.4%)
1997: S$0.54

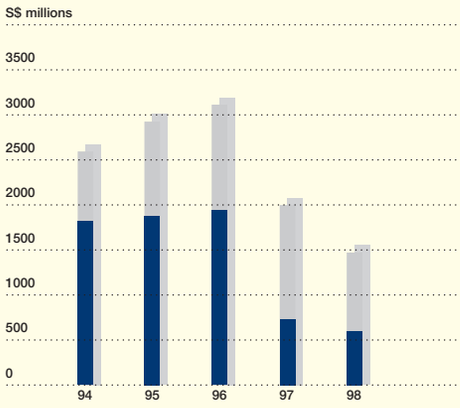
Changes in share capital during the year were due to bonus and rights issues, the issuance of non-voting convertible preference shares for POSBank, and conversion of DBS Convertible Preference Shares.



Unrealised Valuation Surpluses

■ Properties
■ Quoted Investments

At end-December 1998, unrealised valuation surpluses in the Group's quoted investments and properties, which are not reflected in the balance sheet, amounted to S$1,420 million. The Group's non-financial investments are actively managed.



Group Capital Adequacy Ratio (CAR)

The total Capital Adequacy Ratio (CAR) of the Group, measured according to the Bank for International Settlements (BIS) guidelines, at end-December 1998 of 15.6% was almost twice the minimum 8% BIS' requirement. The CAR is actively managed to provide a buffer above the minimum regulatory requirements to facilitate business expansion, as well as to optimise return on equity.

	S$ millions
Capital	
Tier 1 capital	9,058
Tier 2 capital	1,065
Total capital	10,123
Risk-weighted assets including market risks	64,932
	%
Capital Adequacy Ratio	
Tier 1	13.9
Total (Tier 1 & 2)	15.6

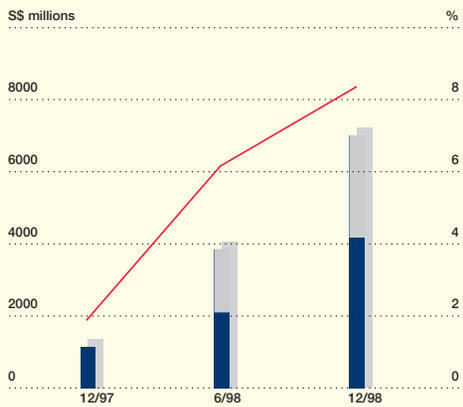
Group Total Non-Performing Loans (NPLs) & NPLs as Percentage of Total Loans

TDB NPLs

Total NPLs excluding TDB
1998: S$7,086.0 million (including TDB)
: S$4,211.7 million (excluding TDB)
(+278.8%)
1997: S$1,112.0 million

Out of total NPLs of S$7,086.0 million, S$4.0 billion (56% including TDB) were secured by collateral; S$2.1 billion (30%) were non-defaulting but graded substandard.

Total NPLs as % of Total Loans
1998: 8.2% (including TDB)
: 5.2% (excluding TDB)
(+3.3 percentage points)
1997: 1.9%

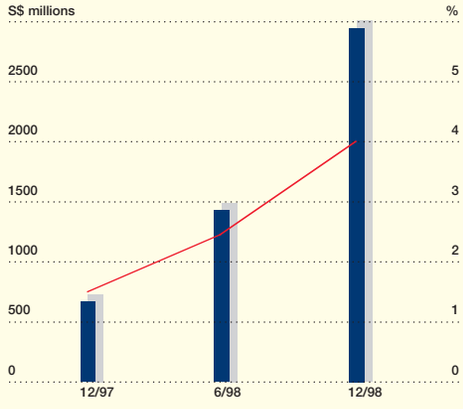


Group Singapore & Other Countries' NPLs & NPLs as Percentage of Total Singapore & Other Countries' Loans

Singapore & Other Countries' NPLs
1998: S$2,972.5 million (+298.2%)
1997: S$746.4 million

Singapore NPLs rose to S$2,705.3 million at end-December 1998 compared to S$649.3 million in 1997, reflecting the impact of the Asian crisis. Close to 90% (S$2.4 billion) of the Singapore NPLs were classified in the substandard category; three-quarters (S$1.8 billion) of these were non-defaulting loans and were classified due to assessed weakness in the borrowers' financial strength or loan restructuring.

Singapore & Other Countries' NPLs as % of Total Singapore & Other Countries' Loans
1998: 3.9% (+2.4 percentage points)
1997: 1.5%



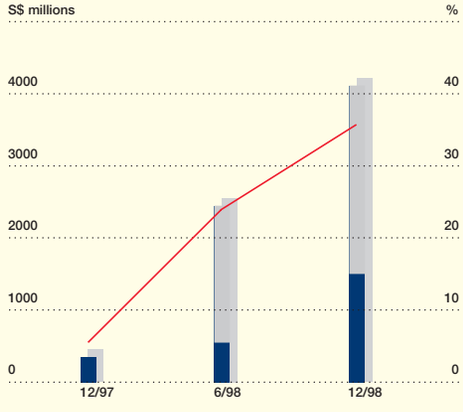
Group Regional NPLs & NPLs as Percentage of Total Regional Loans

TDB NPLs

Regional NPLs excluding TDB
1998: S$4,113.5 million (including TDB)
: S$1,239.2 million (excluding TDB)
(+238.9%)
1997: S$365.6 million

NPLs for exposure to the Regional Countries (Regional NPLs) increased mainly due to more stringent criteria adopted for classifying NPLs, continuing weakness in the regional economies and consolidation of TDB's and DBS Bank Philippines' NPLs. Loans are automatically classified as NPLs once the principal or interest payments are three months or more in arrears, compared with six months previously.

Regional NPLs as % of Total Regional Loans
1998: 36.4% (including TDB)
: 22.8% (excluding TDB)
(+17.4 percentage points)
1997: 5.4%



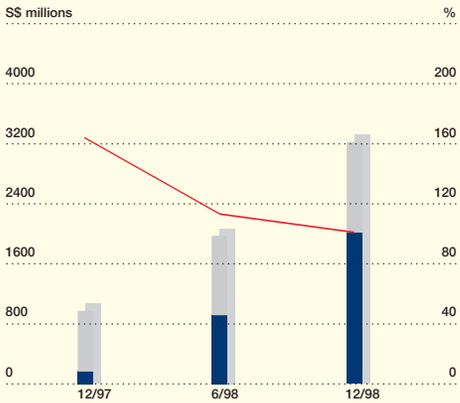
Group Cumulative Specific & General Provisions as Percentage of Unsecured NPLs

- Cumulative General Provisions
- Cumulative Specific Provisions
- Cumulative Provisions as % of Unsecured NPLs

1998: 103% (-62 percentage points)

1997: 165%

Unsecured NPLs were fully covered by cumulative provisions at year end 1998.



Group Regional Exposure & Regional Exposure as Percentage of Total Assets

- TDB Regional Exposure
- Regional Exposure excluding TDB

1998: S$9.8 billion (including TDB)

: S$3.9 billion (excluding TDB) (-36.7%)

1997: S$6.1 billion

- Regional Exposure as % of Total Assets

1998: 9.9% (including TDB)

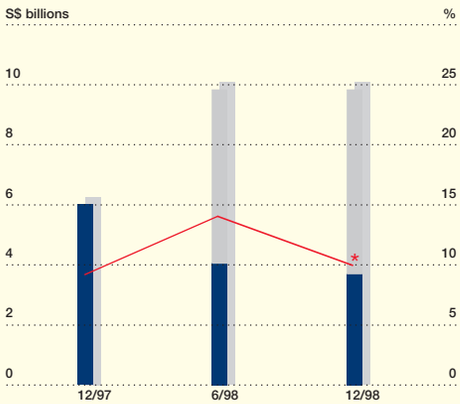
: 4.2% (excluding TDB)

(-5.2 percentage points)

1997: 9.4%

* Include POSBank's assets

Excluding TDB, the Group's exposure to the Regional Countries declined by S$2.3 billion or 36.7%, at end-December 1998.



Details of Group Regional Exposure at End-December 1998

S$ millions

Assets in	Loans and debt securities			Investments	Total	Less: Loans to/ Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure	
	Bank	Central Banks & Govt. Securities	Non-Bank*				Amount	As % of Total Assets
	1	2	3	4	1+2+3+4=5	6	5-6=7	
Malaysia	833	8	752	46	1,639	745	894	1.0
Indonesia	332	91	573	37	1,033	193	840	0.9
Thailand (excluding TDB)	362	10	674	42	1,088	193	895	1.0
Korea	331	40	540	4	915	215	700	0.7
Philippines	418	8	329	78	833	280	553	0.6
Sub-total	2,277	157	2,869	206	5,508	1,626	3,882	4.2
TDB	127	696	5,029	105	5,957	7	5,950	6.0
Total	2,404	853	7,897	311	11,465	1,633	9,832	9.9

*Non-bank loans include loans to government and quasi-government entities

From the Corporate Office

Mr John T. Olds, Mr S. Dhanabalan, Mr Ng Kee Choe

As the regional economic crisis deepened, tightening its hold on business, DBS Group profits declined by 49.0 percent to S$222.7 million. However, the underlying strength of our franchise was reflected in operating profit which registered healthy growth before the significant increase in provisions which prudence dictated that we make.

Notwithstanding the result, we had many strategic successes during the year. We added to our management team and refined our mission, strengthened the organisation and corporate governance, and extended our footprint in Asia through acquisitions. We are intent on building a bank that reaches its maximum potential and is focused on doing the right things: delivering superior customer service and shareholder value. To that end, re-energising the organisation and finding new ways to improve performance was foremost in our minds.

Challenges and Progress

Under difficult conditions, DBS achieved an increase in operating profit of 13.0 percent over 1997, including the impact of newly-consolidated assets from the acquisition of POSBank in Singapore and Thai Danu Bank (TDB) in Thailand. At S$996.4 million, provisions were significantly higher than last year, as we added S$827.0 million to specific provisions for non-performing loans (NPLs) and S$157.8 million in special general provisions for regional exposures. The result was a 49.0 percent decline in Group attributable profit to S$222.7 million. Excluding the impact of POSBank and TDB, the decline would have been 27.6 percent.

At year end, Group NPLs amounted to S$7.1 billion, or 8.2 percent of DBS Group's total loans globally. We continue to monitor and manage asset quality

Building a world-class regional bank **starts with a willingness to rethink everything about our business**, beginning with the way we serve our customers.

intensively and have put in place tighter standards and more rigorous mechanisms for dealing with troubled credits. Cumulative provisions amounted to S$3.1 billion as we addressed head-on the deteriorating asset quality of TDB, our newly-acquired subsidiary, following an extensive review of its exposures with our external auditors. The Group's accounts reflect cumulative specific provisions of Bt25 billion against TDB's NPLs as Singapore provisioning standards require us to provide in full the related specific provisions once a loan becomes non-performing. With these provisions, which as a percentage of NPLs are higher than the Thai bank average, the full extent of the NPL position as at 31 December 1998 has been recognised in DBS' financial statements. Efforts are under way to recapitalise TDB to prepare for what we believe is a new banking environment in Thailand, in which we seek to be active participants.

DBS continues to maintain a strong financial position with a Group capital adequacy ratio of 15.6 percent, calculated under BIS standards. Our track record, financial strength and the skills, experience and enthusiasm of our staff, together with the conservative approach to bank supervision which has always been a hallmark of the Authorities in Singapore, position DBS as one of the strongest financial institutions in Asia today.

Our overriding confidence in the region encourages us to invest in locations, people and technology at this time to bring DBS closer to customers in the future. We are confident that DBS, and the region, will grow at high levels once the recession ends. Windows of opportunity open and close rapidly and this requires a dynamic rather than static approach to positioning the Bank for the next century – anticipating rather than reacting to opportunities to operate more efficiently, selectively making acquisitions and forming strategic alliances with experienced practitioners.

Despite economic conditions, our overriding confidence in the region encourages us to invest in locations, people and technology that will bring DBS closer to customers. We believe DBS, along with the region, will grow at high levels once the recession ends.

In Singapore, we acquired the assets of POSBank in November 1998. The addition of POSBank to our local franchise makes DBS the largest retail bank in Singapore with more than 4.4 million customers, the largest ATM network and the premier position in the Singapore dollar deposit and home mortgage markets. The acquisition presents significant growth opportunities for DBS banking services and products.

We have provided a one-time restructuring charge of S$60 million for POSBank. The annual cost saving from the acquisition is estimated at S$30 million per year.

In the region, we increased our stake in TDB to 50.3 percent. In retrospect, the timing was early in an evolving crisis, but it is not always possible to time an acquisition at the low point and, in any case, we take a long-term view in making acquisitions. We also acquired the Bank of Southeast Asia in the Philippines and prior to the end of the year agreed to take a 65 percent stake in Kwong On Bank in Hong Kong. Each of these moves provides DBS with a stronger platform from which to launch banking operations in the region.

Critical to the success of these initiatives is our ability to integrate an acquisition into the DBS system: creating a seamless, unified, customer-focused regional organisation is central to our strategy of delivering affordable, value-added products and services to a growing customer base. We are pleased to report that significant progress is being made in the integration of our enlarged presence across Asia.

Towards the end of 1998, we also established a strategic alliance to market a wide range of managed investment products with The Frank Russell Company, a 60-year old investment house with a worldwide reputation for outstanding investment performance and customer service that manages over US$1.3 trillion worldwide.

In Singapore, the Government moved ahead with financial sector initiatives designed to strengthen the nation's position as a leading global financial centre. DBS is preparing for an era of more intensive competition as the market liberalises. We have already begun to exploit new opportunities in capital markets. For example, last year, we introduced the first exchangeable bond, the first asset securitisation as well as distributed the first covered warrant issue to retail investors.

Organisational Effectiveness

Building a world-class regional bank starts with a willingness to rethink and, if required, redesign key elements of our business – beginning with the way we work together to better serve our customers.

We operate in a highly competitive marketplace at a very volatile time in history. We face competition from local, regional and foreign banks, as well as global investment banks and a wide range of non-bank financial institutions. We conduct our business in a rapidly-changing global environment that is increasingly shaped by advances in information

technologies and a customer base that puts more and more emphasis on efficiency, added value and personalised service. The bottom line: we must make sure our employees' talents and energies are directed toward satisfying our customers and growing our business. We're confident our new organisation will achieve the required efficiencies and the financial results will follow.

We believe our ability to focus externally and coordinate internally is a critical competitive advantage. Accordingly, we have made fundamental changes to our organisation that will better align our businesses with the marketplace, and in so doing make our services more efficient and DBS Bank more focused and responsive to customer needs. We have embarked on the centralisation of critical support functions to leverage operating skills and more clearly direct the talent and energy of our employees as well as to control investments and expense.

At the same time, our new organisation has prompted changes to our internal committee structure, resulting in a business model that fosters cross-functional, pro-active, participative management throughout the DBS family, generating new ideas that will further enhance the franchise. We merged titles at certain levels to flatten the organisation structure and allow DBS to seize opportunities faster, respond to market dynamics, and deliver global banking capabilities by customer segment.

At the core of our new organisation is a workforce that is encouraged to take initiative, challenges the status quo and is accountable for its actions – on earnings, quality, growth, and corporate reputation. We value our people as our most important resource. We seek to develop them to their full potential through training and job enrichment. We ask employees to think and act like owners. To that end, in 1999 we plan to introduce a new stock-based compensation programme that will allow employees to share in the future growth and success of DBS.

The Way Forward

As challenging as the environment has been, we are redoubling our efforts to build momentum. Our expectations for the future are high. Our corporate governance system and strategies are in sync, aimed at producing better returns. The ultimate goal is to increase return on equity to above 15 percent on a strong capital base. This represents a significant increase over the historical rate.

We intend to leverage POSBank's franchise to create the best retail distribution in Singapore and then export this franchise to our network overseas. We expect to grow our Enterprise Banking business in Singapore and elsewhere in Asia where it makes sense. We will champion the Government's efforts to develop Singapore as the leading financial centre in the region and participate fully in financial sector initiatives whenever and wherever we can. We will continue to push hard on electronic banking. Promoting the DBS brand in the region and leveraging our overseas affiliates to do so is a high priority, starting with re-naming and recapitalising TDB. And, we will continue to seek out acquisition opportunities to extend our Asian franchise and strategic alliances to fill critical gaps in our products and services.

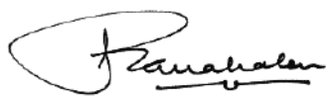
We expect to take advantage of the recent changes to capital adequacy guidelines in the composition of Tier 1 and Tier 2 capital, accessing markets to restructure our capital base to make it more cost effective and efficient, as well as exploring share buy-backs to optimise returns to shareholders.

For 1999, NPLs in Singapore are expected to peak though the outlook for recovery in the region remains uncertain. We believe however that the Bank is well positioned to benefit when the recovery is under way.

Mr Ngiam Tong Dow retired as Chairman and CEO of DBS Bank in May 1998. We would like to thank him for his leadership and dedication. Under his stewardship, DBS Bank grew rapidly and the foundation was laid for the Bank's regional strategy.

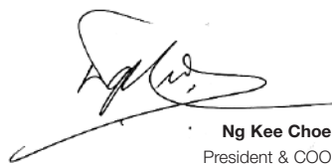
Two other directors also left the Board. Mr Khaw Boon Wan stepped down in May 1998 to join the Board of the Monetary Authority of Singapore. Mr Timothy William Faithfull left in April 1999 when he took up responsibilities in Shell Canada. We thank them for their valuable advice and insights and our Board members for their continuing guidance over the year.

We would also like to record our appreciation to our 10,664 employees for their unstinting efforts in 1998 and our shareholders for their continued support.



S. Dhanabalan
Chairman

John T. Olds
Vice Chairman & CEO



Ng Kee Choe
President & COO

30 April 1999

Organisational Structure

Individual & Enterprise Banking

- Individual Banking
- Private Banking
- Asset Management
- Securities
- Enterprise Banking

Institutional Banking

- Corporate Banking
- Capital Markets
- Treasury

Logistics & Administration

- Information Technology
- Risk Management
- Processing & Servicing
- Finance & Planning
- Integration
- Human Resources
- Investment Portfolio

Corporate Information

Board of Directors

Chairman
Mr S. Dhanabalan

Vice Chairman
Mr John T. Olds

Mr Alan Chan Heng Loon
Mr Bernard Chen Tien Lap
Mr Timothy William Faithfull*
Mr Fock Siew Wah
Mr Robert Montgomery Howe
Prof Tommy Koh Thong-Bee
Mr Lau Chan Sin
Mr Moses Lee Kim Poo
Mr Ng Kee Choe
Dr Yeo Ning Hong

* Stepped down on 23 April 1999

Executive Committee

Chairman
Mr S. Dhanabalan

Deputy Chairman
Mr John T. Olds

Mr Timothy William Faithfull*
Mr Fock Siew Wah
Mr Ng Kee Choe

Audit Committee

Chairman
Mr Bernard Chen Tien Lap

Mr Alan Chan Heng Loon
Prof Tommy Koh Thong-Bee
Mr Lau Chan Sin

Secretary

Ms Heng Lee Cheng

Registrar

Barbinder & Co Pte Ltd
9 Penang Road #10-20
Park Mall
Singapore 238459

Auditors

Price Waterhouse
Certified Public Accountants
6 Battery Road #32-00
Singapore 049909

Partner in charge of the audit
Mr Michael Lim Choo San

Registered Office

6 Shenton Way
DBS Building
Singapore 068809
Tel 220 1111

Board of Directors

From left to right:

Mr S. Dhanabalan
Chairman

Mr Dhanabalan, 61, brings wide government and private sector experience over an almost 40-year career. Ten years in DBS Bank from 1968–1978, culminating in Executive Vice President, were followed by 16 years in government as a Cabinet minister. From 1978–1994, he held portfolios in Foreign Affairs, Culture, Community Development, National Development and Trade & Industry. He continues to be involved with the Singapore Government on financial matters, through his director-ships in Temasek Holdings Pte Ltd and Government of Singapore Investment Corporation Private Ltd. He is also the Chairman of the Financial Centre Advisory Group, a private sector advisory panel of the Monetary Authority of Singapore. He was appointed DBS Bank Chairman and Director on 9 May 1998.

Mr John T. Olds
Vice Chairman &
Chief Executive Officer

Mr Olds, 55, a United States citizen, is a career banker with more than 24 years' experience at J P Morgan. Mr Olds was primarily responsible for developing J P Morgan's global securities business. Mr Olds also had stints as Head of Euroclear, Belgium, the world's largest securities clearing and settlement system managed by J P Morgan and he held several other senior positions including Head of Asia Pacific Region and Head of Strategic Planning. Mr Olds was appointed DBS Bank Chief Executive Officer and Vice Chairman on 11 August 1998.

Mr Alan Chan Heng Loon
Director

Mr Chan, 46, is currently the Deputy Secretary at the Ministry of Foreign Affairs. A career civil servant, he was, prior to this, the Director of Manpower at the Ministry of Defence (1990–1994) and Principal Private Secretary to the Senior Minister (1994–1997). He was appointed a DBS Bank Director on 1 April 1996 and also sits on the Bank's Audit Committee.

Mr Bernard Chen Tien Lap
Director

Mr Chen's working experience straddles both government and the private sector. He spent 12 years in the Ministries of Defence and Finance and was Minister of State from 1977–1981. Thereafter, he was with the beverage group Fraser & Neave from 1981–1991, the last seven years as Group General Manager & Director. Since 1991, he has been Chief Executive Officer of Intraco Ltd. Mr Chen, 56, was appointed a DBS Bank Director on 1 April 1996 and also chairs the Bank's Audit Committee.

Mr Timothy William Faithfull
Director
(Stepped down on 23 April 1999)

Mr Faithfull, 54, a British citizen, brings firsthand knowledge of the petrochemical industry from oil giant Shell, where he is currently Chairman and Chief Executive of the Shell Companies in Singapore. He has had extensive worldwide experience in the Royal/Dutch Shell Group in Oil Products and Natural Gas and was previously Vice President-Crude Oil in Shell International Trading and Shipping Company Ltd. Mr Faithfull also sits on the boards of PSA Corporation and the Singapore International Chamber of Commerce. He was appointed a DBS Bank Director on 15 October 1997 and is also a DBS Bank Executive Committee Member.

Mr Fock Siew Wah
Director

Mr Fock, 58, built his career in banking first with DBS and then with J P Morgan where he stayed for 13 years, rising eventually to head its Asian operations. This was followed by a stint as President and Chief Executive Officer of Overseas Union Bank from 1988–1991, and the Chairmanship of East West Bank. Mr Fock is currently Chairman of the Land Transport Authority, a Board Member of Temasek Holdings (Pte) Ltd and a Senior Advisor to Nuri Holdings (S) Pte Ltd. Mr Fock was appointed a DBS Bank Director on 16 June 1998.

From left to right:

Mr Robert Montgomery Howe
Director

Mr Howe, 54, a United States citizen, has made a career in the fields of information systems and consulting. Mr Howe spent 15 years with management consultants Booz-Allen & Hamilton Inc, where he developed its worldwide financial services practice. In 1991, he joined International Business Machines (IBM), where he founded the IBM consulting group and was General Manager of Global Banking, Finance and Securities from 1995 to 1998. During his time at IBM, he was primarily responsible for developing IBM's financial activities worldwide. Mr Howe is currently President and Chief Executive Officer of Scient Corporation, a high technology start-up company based in Silicon Valley. Mr Howe was appointed a DBS Bank Director on 27 February 1998.

Prof Tommy Koh Thong-Bee
Director

Prof Koh, 61, spent nine years in the law faculty of the National University of Singapore before making the switch to diplomacy. Over the course of a long and varied diplomatic career, he has been Singapore's Permanent Representative to the United Nations (UN) and Singapore's Ambassador to the United States. As UN Permanent Representative, he was President of the Third UN Conference on the Law of the Sea from 1981 to 1982. He also chaired the negotiations for and at the Earth Summit from 1990 to 1992. He is currently Singapore's Ambassador-at-Large and Executive Director of the Asia-Europe Foundation. He was appointed to the DBS Bank Board on 14 July 1994 and also sits on its Audit Committee.

Mr Lau Chan Sin
Senior Managing Director

Mr Lau, 55, is a DBS career banker. He was appointed Executive Vice President in 1989 and Deputy President in 1995 and in those capacities has overseen a wide range of the Bank's operations. He is currently Senior Managing Director in charge of Integration, Human Resources and Investments. Mr Lau has also been Chairman of DBS Land Ltd since 1 January 1996, during which time he has overseen its growth into a major Singapore property player. He is also Director of Network for Electronic Transfers (S) Pte Ltd, KK Women's and Children's Hospital and a council member of the Singapore Chinese Chamber of Commerce & Industry. Mr Lau was appointed a DBS Bank Director on 1 April 1996.

Mr Moses Lee Kim Poo
Director

Mr Lee, 47, is currently Permanent Secretary at the Ministry of Community Development and Second Permanent Secretary at the Ministry of Health. A career civil servant, Mr Lee has also held numerous appointments on government statutory boards, including General Manager of Singapore Broadcasting Corporation (1990 to 1994) and Chairman of Post Office Savings Bank from 1994 until its merger with DBS Bank in 1998. Mr Lee's private sector appointments include board membership of Singapore Airlines Ltd. He is also the Chairman of Health Corporation of Singapore Pte Ltd. Mr Lee was appointed a DBS Bank Director on 13 January 1999.

Mr Ng Kee Choe
President &
Chief Operating Officer

Mr Ng, 54, is a DBS career banker. He was appointed Executive Vice President in 1992, Deputy President in 1994 and President and Chief Operating Officer in 1997. Mr Ng is also Chairman of The Insurance Corporation of Singapore Ltd, the DBS Group's insurance arm and a president commissioner of PT Bank DBS Buana. His other appointments include directorships of The Thai Danu Bank Public Company Limited, Kwong On Bank, Limited and Singapore Technologies Engineering Ltd and a governorship of the Singapore International Foundation. Mr Ng was appointed a DBS Bank Director on 4 February 1994.

Dr Yeo Ning Hong
Director

Dr Yeo's working experience straddles the government and private sectors. Dr Yeo, 55, had stints in academia and the private sector before joining the Singapore Government in 1981. His Cabinet level appointments include Minister for Communications and Information (1985–1991) and Defence (1991–1994). In 1995, Dr Yeo made the transition back to the private sector, when he became Executive Chairman of the Singapore Technologies Group of Companies. In 1994, he took up his current appointment as Chairman of PSA Corporation Ltd. Dr Yeo was appointed a DBS Bank Director on 15 October 1997.

Policy Committee

Mr S. Dhanabalan
Chairman

Mr John T. Olds
Vice Chairman &
Chief Executive Officer

Mr Ng Kee Choe
President &
Chief Operating Officer

Mr Lau Chan Sin
Senior Managing Director

Mr Tan Soo Nan
Senior Managing Director

Mr Soh Kim Soon
Senior Managing Director

Mr Chong Kie Cheong
Managing Director

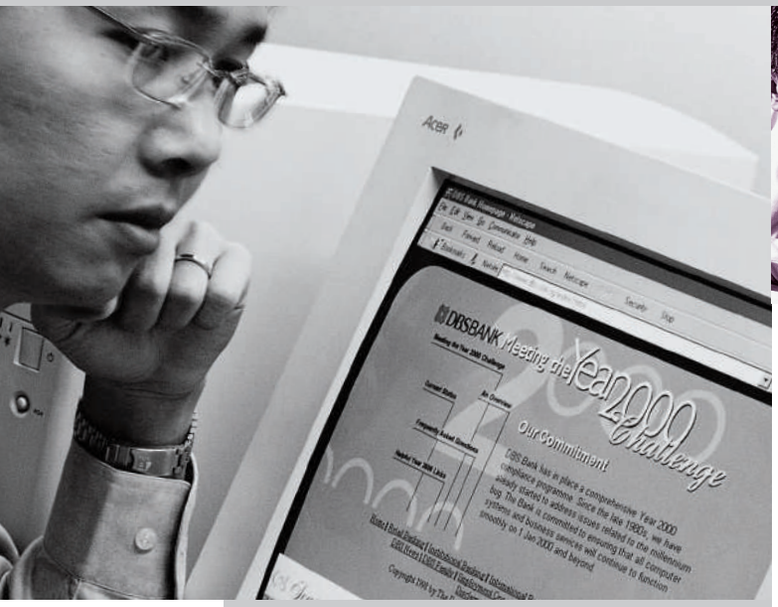
Mr Eric Ang
Managing Director

Mr Frank Wong
Managing Director

The Policy Committee is DBS Bank's most senior communications and decision-making forum, a critical vehicle for ensuring a seamless organisation driven by a common purpose and leadership style. Its focus is to ensure that all DBS actions and efforts are coordinated, properly resourced and customer-focused. Its priorities are fostering an organisational culture that is market driven and customer centred; developing a management style that is pro-active and entrepreneurial; and building businesses that together deliver long-term shareholder value.

Corporate Governance

The new Committee structure is a mechanism for sharing ideas, one that **enhances our franchise** and brings us closer to customers.



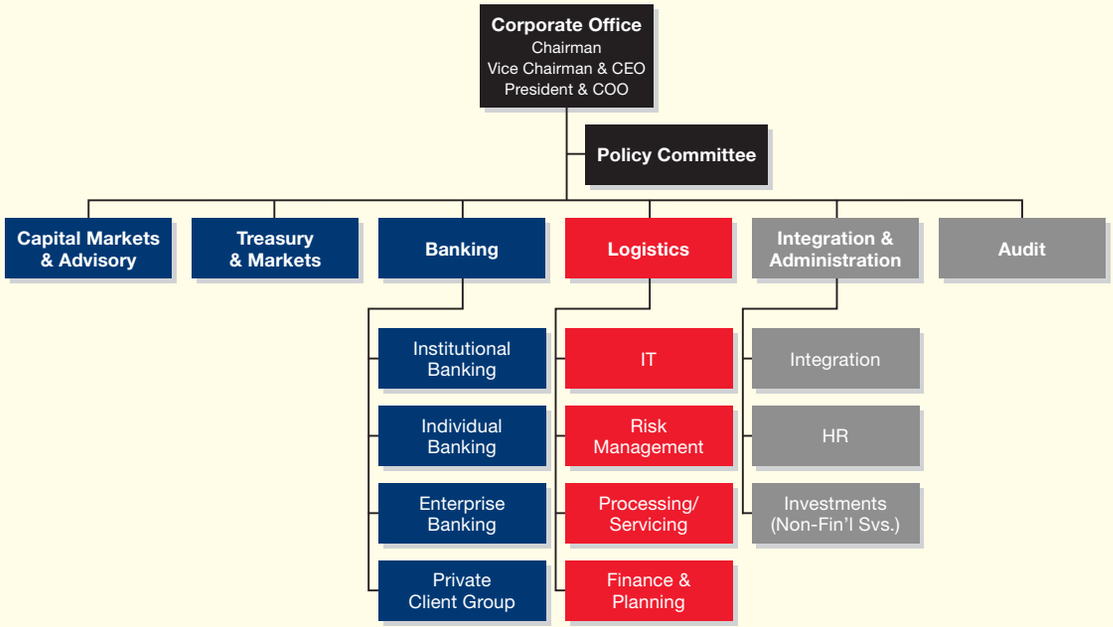
From left to right:

- **DBS Bank is among the first three banks worldwide to publish its Self-Assessment template on the Global 2000 Website at http://www.global2k.com**
- **Communication, coordination and cooperation are key characteristics of DBS Bank's Committee structure.**

In the wake of the Asian financial crisis, the need for good corporate governance has never been more keenly felt. At DBS, we have adopted a 360° approach to corporate governance. Companies, like countries, run more efficiently with transparent and vigorous self regulation. As the world shrinks, the importance of good governance has only increased. We believe markets will ultimately reward companies with strong accountability and transparent decision making.

A new organisation structure was implemented on 11 February 1999. It recognises the need to focus externally through effective integration internally in

Organisation Structure



an effort to better address DBS' target markets and the delivery of products and services to customers by segment. Organising product and support needs by market creates a clear model for defining responsibilities and accountabilities in every country where DBS does business.

A management structure alone will not ensure that all the resources and skills are focused on achieving objectives. The business environment is too complicated and dynamic for that. The forces of change require new ways of thinking and new ways of acting – processes and procedures that adapt to new forces and, hopefully, anticipate future developments.

To strengthen accountability and business leadership, we have put in place a new committee structure that accentuates communication, efficiency and responsiveness across functions and geography. The goal is to maximise the value of our people by emphasising openness, customer focus, and participative management at all levels and across boundaries.

Highly focused 'discussion forums' open to a wide range of views and diverse functional talents enhance our ability to communicate and help us sustain high levels of growth without losing organisational cohesiveness.

The new committee structure is made up of five clusters:

- Policy Committee
- Retail Products and Services and Wholesale Products and Services Committees
- Human Resources Committees
- Risk Management Committees
- Technology and Operational Risk Committees

Each committee is composed of senior managers from across the Bank's businesses and functions, drawn for their experience and expertise and day-to-day involvement in the business. The frequency of meetings ranges from weekly for those committees dealing with markets to quarterly for those dealing with broader issues.

Together, these groups give us the means for managing our businesses strategically using the Bank's people, systems and capital. They provide integrity and direction to the business as a whole, fostering Bank-wide communications; promoting fact-based analysis and initiative, accountability and decision making; and limiting bureaucracy and delays that often result from rigid hierarchies. Specifically, the committees:

- Provide access to a wider range of views and talents;
- Strengthen the integration of our management team – at home and abroad – as we expand and employ individuals from different geographies with diverse backgrounds, experiences and skill sets;
- Provide a channel for supporting line managers and for discussing opportunities and issues in real time;
- Disseminate decisions faster to proliferate best practices.

Policy Committee

The focus of the Policy Committee is to ensure that all of our actions and efforts remain coordinated and customer focused. Its priorities include: fostering an organisational culture that is market driven and customer centred; developing a management style that is pro-active and entrepreneurial; and building businesses that together deliver long-term share-holder value. The Policy Committee provides a Bank-wide forum comprising senior business leaders charged with ensuring common purpose and value-based management.

Products and Services Committees

This cluster is separated into two units to better support our key customer groups. The Retail Products and Services Committee coordinates the development, marketing and delivery of products and services for individuals. The Wholesale Products and Services Committee has a similar mission focused on corporations, governments and financial institutions. Both Committees are cross-functional: searching for opportunities to achieve synergies and linking market strategies and offerings throughout DBS.

Human Resources Committees

We believe that successful organisations are made up of passionate, driven leaders – talented people who can articulate our vision; gain organisational understanding and support for specific business initiatives; and energise those whom they lead. We know that delivering our best to DBS customers takes men and women who give us their best every day. To that end, Human Resource philosophies and policies are an integral part of our business strategies, practised in every country where DBS has a presence. We pay special attention to managing people as our most important resource and an important stakeholder. The officers and staff of DBS are the critical channel for expressing our brand to customers and prospects alike.

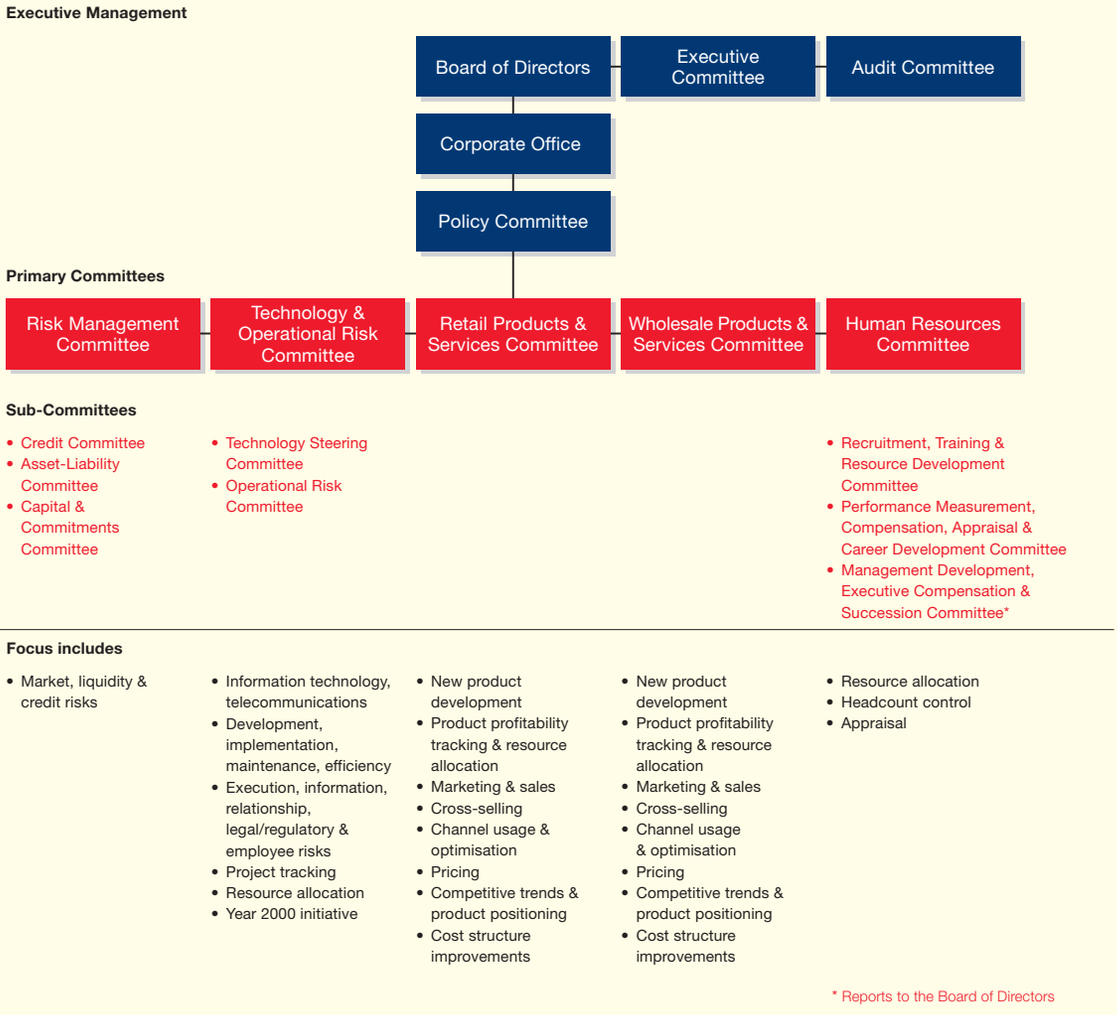
The Human Resources Committees serve as regular forums to communicate and implement policies, processes and other activities across the entire DBS organisation, from top to bottom. They also facilitate the identification and intra-company transfer of best practices. The Human Resources cluster comprises three committees:

- **Recruitment, Training and Resource Development Committee**

  Oversees all activities that impact hiring talent, entry level and mid-career training.
- **Performance Measurement, Compensation, Appraisal and Career Development Committee**

  Coordinates performance evaluation processes,

Committee Structure


Executive Management
Board of Directors
Executive Committee
Audit Committee
Corporate Office
Policy Committee
Primary Committees
Risk Management Committee
Technology & Operational Risk Committee
Retail Products & Services Committee
Wholesale Products & Services Committee
Human Resources Committee
Sub-Committees
• Credit Committee
• Asset-Liability Committee
• Capital & Commitments Committee
• Technology Steering Committee
• Operational Risk Committee
• Recruitment, Training & Resource Development Committee
• Performance Measurement, Compensation, Appraisal & Career Development Committee
• Management Development, Executive Compensation & Succession Committee*
Focus includes
• Market, liquidity & credit risks
• Information technology, telecommunications
• Development, implementation, maintenance, efficiency
• Execution, information, relationship, legal/regulatory & employee risks
• Project tracking
• Resource allocation
• Year 2000 initiative
• New product development
• Product profitability tracking & resource allocation
• Marketing & sales
• Cross-selling
• Channel usage & optimisation
• Pricing
• Competitive trends & product positioning
• Cost structure improvements
• New product development
• Product profitability tracking & resource allocation
• Marketing & sales
• Cross-selling
• Channel usage & optimisation
• Pricing
• Competitive trends & product positioning
• Cost structure improvements
• Resource allocation
• Headcount control
• Appraisal
* Reports to the Board of Directors

establishes benchmarks for competitive compensation, human resource allocation, executive career development and succession planning.

- **Management Development, Executive Compensation and Succession Committee**
  Oversees and recommends policies relating to senior management compensation and succession. This is a Board-level committee composed of independent directors.

Risk Management Committees

Each new banking instrument, market cycle and move to consolidate business around the world changes our view of risk and our approach to managing it – one of the basic building blocks of finance. We consider having world-class skills in monitoring, interpreting and forecasting our risk profile a critical internal capability. To that end, the Risk Management Committees cluster is a vital focal point for our newly-centralised Risk Management Group and senior management. The Committees are a mechanism for taking a panoramic view – across products, geography and counterparties on and off the balance sheet – of the risks in DBS' day-to-day business activities.

Our approach to risk management has several components; comprehensive risk management processes, early identification systems, accurate risk measures, investments in people and technology to interpret and manage risk on a daily basis, stress tests and comprehensive process reviews in conjunction with internal auditors, independent accountants and regulatory officials.

Although business units have primary responsibility for managing specific risk exposures, the Risk Management Group is the central resource for quantifying and managing the portfolio of risks taken by the Group as a whole. It performs the following roles:

- Implements, maintains, improves and communicates a common risk management framework;
- Recommends market risk limits and concentration limits for credit risk by client type, product, industry and country;
- Performs independent reviews of significant risk concentrations and has the authority to challenge such positions;
- Oversees allocation of balance sheet capacity;
- Helps identify opportunities to optimise risk-based return on capital.

The Risk Management Committee, which is supported by the Risk Management Group, provides:

- Oversight and management of all risks;
- The central point of risk management policy formulation and review;
- Oversight, direction and counsel to other risk committees and risk management processes;
- Information and perspective for the management of DBS' overall risk profile; material changes in our products and the markets in which we participate; business environments; and required changes in risk management processes.

Sub-committees of the Risk Management Committee provide executive forums for discussion and decisions on specific areas:

- **Credit Committee**
  Credit risk and its management
- **Asset-Liability Committee**
  Structural interest rate risk, foreign exchange risk, liquidity risk and their management
- **Capital and Commitments Committee**
  Adequacy, use and allocation of capital across DBS

Technology and Operational Risk Committees

Today DBS customers can conduct a wide range of banking transactions on street corners using ATM machines, or at home via the Internet or the telephone – no matter the time zone, country, currency or time of day. Clearly, technology is vital to all aspects of our operations. The required pace of change creates a continuous need to adapt our major systems and applications to provide customers and employees with real-time information and transaction execution capabilities.

There are capacity and cost constraints on our ability to deliver everything we wish on time and at an appropriate cost which makes IT an even more critical area for the Bank to manage well, keeping pace with change, and coordinating our response to it, throughout our organisation. The Technology Steering Committee is charged with the integration of all IT and telecommunications activities across the Bank, and the prioritisation of future expenditures to improve our platform's capabilities, providing an inter-business, cross-functional and international forum for linking IT development and overall direction for the IT users throughout DBS.

Major Risks Associated with DBS' Business

Credit Risk
The potential earnings volatility caused by obligors defaulting on their obligations and the adequacy of collateral, if any.
Market Risk
The potential value and earnings volatility in the trading and structural books due to market price changes.
Risk Spectrum
Liquidity Risk
The potential earnings volatility arising from being unable to fund portfolio assets at reasonable rates over required maturities.
Operational Risk
The potential loss caused by a breakdown in information technology, communication and transaction processing. Operational risk includes inter alia, execution risk, information risk, relationship risk, legal/fiduciary risk and employee risk.

As new information technology comes on line, the Bank must also ensure that the risks inherent in technology are well managed. The Operational Risk Committee (ORC) provides an executive-level forum for discussion and decisions on all aspects of operational risk and its management. The Committee also addresses critical back-up and contingency planning issues and provides a focal point for responding to unforeseen circumstances that could delay or interrupt service.

Sound business processes, internal controls, an independent audit group and cross-functional committees are all integral elements in managing operational risk. Our control environment is built on the integrity, competence and supervision of our professionals, as well as management's control philosophy and operating style. Primary responsibility for managing operational risk rests with business managers, who are responsible for establishing and maintaining internal control procedures that are appropriate for their operating environments. A comprehensive system of internal controls, comprising business managers, the ORC and the Audit Committee, are designed to ensure compliance with internal policies and regulatory procedures.

Year 2000 and the DBS Initiative

The Bank defines a Year 2000-ready system or product as one in which neither the performance nor functionality is affected by dates prior to, during or after Year 2000 in accordance with the definition specified by the British Standards Institute.

Cognizant of the Year 2000 impact on software, as early as the 1980s, the Bank began to address this problem. Since then, it has completed the majority of its Year 2000 efforts and has put in place a comprehensive compliance and testing programme that includes both IT and non-IT business components. The Bank is on target for a smooth transition into the new millennium, transparent to

customers and counterparties. To achieve our goal, we have committed resources and incurred the expenses necessary to resolving Year 2000 issues. The costs associated with these efforts have been absorbed as operating expenses or capitalised in financial statements. Year 2000 renovation and testing efforts have been largely undertaken by in-house technical experts, together with external consultants where deemed necessary.

A global inventory of all IT hardware/software components, non-IT equipment and interfaces with external parties has been completed. Each item in the inventory has been reviewed for Year 2000 impact and a compliance strategy worked out. As part of this ongoing effort, we continue to monitor the inventory closely to ensure timely completion of all items. We have conducted a series of tests to verify compliance of our critical systems in line with general industry practice for Year 2000. Our focus for 1999 is on conducting external tests with various financial infrastructure providers, following timelines established by The Association of Banks in Singapore (ABS).

We are also actively working with external parties, including clients, counterparties, vendors, exchanges, depositories, utilities, suppliers, agents and regulatory agencies, to avoid potential risks the Year 2000 problem poses to us and to the global financial community.

The Bank is taking all reasonable steps to ensure that all computer systems and business services will function without interruption on 1 January 2000 and beyond. Nevertheless, some disruptions may still occur as the Year 2000 problem is complex. Hence the Bank is also focusing on business risk management and contingency planning to ensure business continuity.

DBS' disclosure template, as well as its Year 2000 compliance programme and efforts can be found on the Bank's Year 2000 website at http://www.dbs.com.sg.

Best Practices Guide

The Audit Committee comprises three non-executive directors and one executive director. The Audit Committee's function is to perform the duties and functions required of an Audit Committee under Section 201B(5) of the Companies Act which includes a review of the financial statements of DBS Bank and DBS Group for the financial year and the external and internal auditors' reports thereon.

The Stock Exchange of Singapore (SES) issued a Best Practices Guide in 1998. In accordance with the principles and best practices set out in the Guide with respect to Audit Committees, we are pleased to report that:

- The majority of members of the Audit Committee are non-executive directors who are independent. They are Bernard Chen Tien Lap (Chairman), Alan Chan Heng Loon and Prof Tommy Koh Thong-Bee.
- The Audit Committee has full access to and cooperation from management and full discretion to invite any director or executive officer to attend its meetings.
- The Audit Committee has been given reasonable resources to enable it to discharge its functions properly.
- The Audit Committee has reviewed with internal and external auditors its findings and evaluation of the Bank's systems of internal controls and has duly reported its findings to the full Board.

Based on the foregoing, DBS Bank has complied with the Guide with respect to Audit Committees. DBS has also adopted the principles and best practices in the Guide relating to dealings in securities.

Year 2000 Progress Assessment (Based on Global 2000 Format) as at 31 March 1999

Phase	Organisational Targets/Plans						Current Status				Current Forecast				
	30/6/98	30/9/98	31/12/98	31/3/99	30/6/99	30/9/99	30/6/98	30/9/98	31/12/98	31/3/99	30/6/98	30/9/98	31/12/98	31/3/99	30/6/99
1 Developing a Strategic Approach	100.0%	100.0%					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
2 Creating Organisational Awareness	100.0%	100.0%					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
3 Assessing Actions and Developing Detailed Plans	100.0%	100.0%					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
4*Renovating Systems, Application & Equipment	89.6%	96.9%	100.0%				89.6%	93.3%	98.9%	99.7%	89.6%	96.9%	99.1%	99.7%	100.0%
5*Validating Renovation through Testing	55.6%	89.3%	100.0%				55.6%	86.8%	97.7%	99.0%	55.6%	89.3%	99.1%	98.7%	100.0%
6*Implementing Tested, Compliant Systems	65.9%	87.5%	98.0%	98.0%	99.7%	100.0%	65.9%	90.1%	96.9%	98.5%	65.9%	87.5%	97.4%	98.0%	100.0%

This assessment chart provides planned, actual and forecast percentage completion measurements, on a quarterly basis for each of the six major Year 2000 project phases (see first column of the chart). Each phase entails the four major work areas (see **) where information systems and embedded systems may involve Year 2000 date change problems. These work areas are weighted in accordance with their relative importance in each of the six phases.

*All critical information system applications and products have successfully completed our tests for Year 2000 readiness. The remaining items to be made compliant are mainly:

a. Non-compliant PCs which will be progressively replaced by mid-1999 to enable us to enjoy cost effectiveness and capitalise on the latest in PC technology advancement.

b. Small number of third party products pending vendors' fixes/patches for Year 2000 testing.

**Work Areas	Weight
Business Applications	40%
Infrastructure (Data Centres)	30%
Network/Communication Products/PCs	25%
Building Facilities and Telecommunication Products	5%
	100%

		Original	Forecast
Variance to Original & Forecast	Strategy	0%	0%
	Awareness	0%	0%
	Assessing	0%	0%
	Renovating	0%	0%
	Validating	-1%	0%
	Implementing	1%	1%

Principles and Approaches for Managing Specific Risks

Market Risk

Managing market risk

Market risk arises from changes in interest rates, foreign exchange rates and equity prices, as well as in their correlations and volatility levels. For structural interest rate risk, the primary focus is achieving a desired overall interest rate profile, which may change over time, based on management's longer-term view of interest rates and economic conditions.

Risk measurement

- DBS has adopted a Daily Earnings at Risk (DEaR) methodology that estimates the Group's trading market risk with a given level of confidence, over a one-day horizon. DEaR takes into account all pertinent risk factors and covers all financial instruments which expose the Group to market risk, across nearly all geographies.
- On a daily basis, DBS estimates DEaR for each trading business unit, as well as for Group-wide trading market risk. These daily reports estimate DEaR for individual activity and risk type eg. foreign exchange, interest rate or equity.
- The DEaR metric is calculated using:
  a. Variance-covariance method
  b. Historical simulation method
  c. Structured Monte Carlo method for option products

Although DEaR provides valuable insights, no single measure can capture all aspects of market risk. As a result, we supplement DEaR with daily sensitivity analyses and periodic stress tests.

Controls

- A set of limits ensures that risk-takers do not exceed the aggregate risk and concentration parameters set by senior management. Limits are set for business units and risk sources.
- Independent mark-to-market valuation, reconciliation of positions and tracking of stoplosses for trading positions on a timely basis.
- Backtesting of risk models to determine whether their predictive ability falls within statistically acceptable bounds.
- Independent validation of valuation models, especially for option products.
- A process for assessing the risk of new products.

Credit Risk

Managing credit risk

Exposure to credit risk arises primarily from lending activities and, to a lesser extent, in sales and trading activities, derivatives activities and from participation in payment transactions and securities settlement on our own behalf and as agent for our clients. Managing credit risk has both qualitative and quantitative aspects. Experienced credit officers evaluate the credit quality of the firm's obligors and counterparties and assign internal credit ratings based upon this evaluation. These officers are responsible for credit screening and monitoring. Credit concentration limits for various industries, products, and countries are set by the Credit Committee. Credit limits for individual clients and counterparties are established by credit officers with direct knowledge of the client's creditworthiness. Established limits and actual levels of exposure are reviewed regularly by the Risk Management Committee.

Exposure measurement

Credit exposure includes current as well as potential credit exposure. Current credit exposure is represented by the notional value or principal amount for on-balance sheet financial instruments and off-balance sheet direct credit substitutes, and by the positive market value of derivative instruments. We also estimate the potential credit exposure over the remaining term of transactions through statistical analysis. In determining our exposure, we consider

collateral and market netting agreements, which we utilise to reduce individual counterparty exposure, primarily in connection with off-balance sheet items.

Estimating potential losses and the aggregate provision for credit losses

In managing our credit risk, we also estimate potential losses associated with credit exposures. This process involves some judgement and considers a number of variables including the credit quality of counterparties; tenor of our credit exposure; default probabilities and their volatilities; collateral values; and expected recovery rates in the event of default, as well as the diversification across counterparties, industries, and geographic regions of our global credit portfolio. DBS' credit review procedures are designed to identify country, industry, product, and client exposures that require a higher-than-normal degree of scrutiny. Once identified, individual exposures are carefully monitored by the Credit Committee. In assessing the adequacy of our provisions for credit losses, the Credit Committee recommends the portion of credit exposures that should be classified as non-performing, the portion that should be charged off, and further actions to be taken to minimise credit losses, maximise recoveries and ensure adequacy of the aggregate provision for credit losses.

Liquidity Risk

Managing liquidity risk

The Bank seeks to manage its liquidity risk across all classes of assets and liabilities to ensure that even under adverse conditions, DBS has access to funds at a reasonable cost. Ultimate responsibility for DBS' global liquidity management lies with the Bank's Asset-Liability Committee. Tapping available sources of liquidity, preserving necessary funding capacity, and continuous contingency planning are essential ingredients to managing DBS' liquidity risk. Liquidity targets are maintained to ensure that even under adverse conditions, funds are available to cover customer needs, maturing liabilities, and other funding requirements.

Sources of liquidity

Deposits represent DBS' principal source of funds. Our well-diversified retail deposit base represents a large portion of our funding, but a growing level of deposits has been raised from corporate and institutional clients. DBS may raise funds locally or globally through a variety of instruments, including repurchase agreements and capital securities. Other sources of funding are explored on an ongoing basis eg. the issuance of commercial paper and other debt instruments as well as asset securitisation.

Importance of stress testing

On a weekly basis, we perform stress tests on our liquidity profile to evaluate the accuracy of our projections and our ability to raise funds, even under adverse circumstances.

Operational Risk

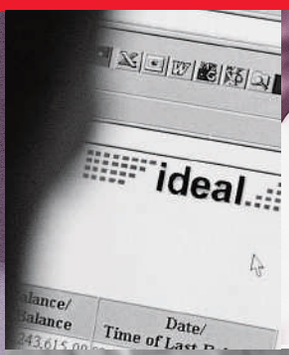
Managing operational risk

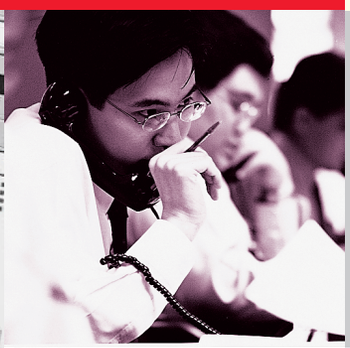
We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, positions and documentation, maintaining key backup procedures, and undertaking regular contingency planning. Operational risk is the purview of the Technology and Operational Risk Committees cluster, for two reasons. First, technology is an increasingly important source of operational risk, as well as having an increasingly central role in reducing and managing operating risk. Second, forms of operational risk are generally different from the financial risks that are the focus of other Risk Management Committees.

Operations Review

At DBS Bank weÕre accelerating the **delivery of new products, services and capabilities** to our customers **through a wide variety of channels**.

WeÕve come together to serve you better.





Clockwise from top left:

- The acquisition of POSBank strengthens our position as SingaporeÕs leading bank.
- Technology is a key delivery channel, and DBS leads the way in providing cash management and e-commerce services.
- DBS is the unrivalled leader in the full range of Singapore dollar treasury products.
- Our accent on partnership is key to DBSÕ definition of customer service.

Building a world-class bank

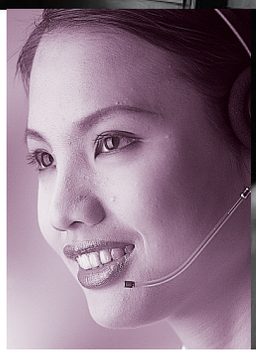
Our strategy builds on DBS' strengths: industry expertise, a powerful brand, technological leadership, regional reach, a diverse pool of talented employees, and a willingness to rethink banking driven by a belief that we can always do better.

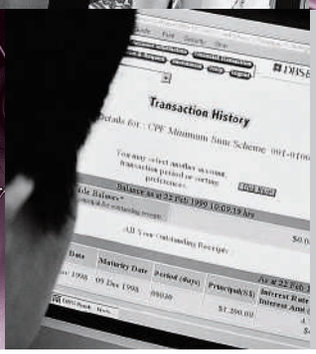
Since DBS was founded 31 years ago, we've seen firsthand the speed and breadth of change – and learned the importance of adaptability. As a matter of operating philosophy, we seek to make continuous improvement an integral part of our organisational culture. That's why, across DBS Bank, we're accelerating the development of new services, capabilities and solutions for our customers. In so doing, we believe we can improve the way we approach financial services and deliver DBS to our customers.

Highlights of 1998

- Acquired The Post Office Savings Bank of Singapore, making DBS the largest bank in Southeast Asia with total assets of S$99 billion.
- Acquired a majority stake in the Bank of Southeast Asia in the Philippines.
- Acquired a majority stake in Thai Danu Bank in Thailand.
- Announced a conditional voluntary offer for all of the shares of Kwong On Bank, Hong Kong.
- Ranked as one of Asia's top 20 stockbrokers by Asiamoney.
- Introduced DBS One, value-added priority banking services.
- Selected as the first bank in Singapore to distribute unit trust funds managed by foreign managers.
- Initiated the first asset securitisation transaction.
- Received International Financing Review's Asian Equity-Linked Issue of the Year award.
- Expanded securities lending programme to cover five markets across Asia.

Our customers want a relationship with a bank that provides **innovative, responsive, affordable** banking services and financial **solutions** throughout their lives.





Clockwise from top left:

- DBS provides the largest ATM network in the nation using technology that allows customers to conduct complete banking services.
- DBS Private Client Group meets the growing and unique needs of our high net worth customers.
- Banking anywhere, any time with DBS Internet Banking.
- Our DBS Direct customer centre provides 24-hour banking convenience.

Individual & Enterprise Banking

We provide comprehensive banking services to individuals and growing enterprises in the Asia-Pacific region. No matter the time zone, country or currency, DBS is working hard to deliver value when and where our customers need it.

Individual Banking

From touchscreen, interactive kiosks and ATMs to Internet home banking and traditional banking centres, DBS provides comprehensive financial services to individuals in the Asia-Pacific region.

Our individual banking franchise was significantly enhanced in November when we acquired The Post Office Savings Bank of Singapore (POSBank), making DBS the largest retail bank in the nation. POSBank extends DBS' customer base to more than 5 million in the region, assets to more than S$90 billion and represents significant potential for the future. DBS is now the largest mortgage financier in Singapore. POSBank provides many new opportunities for cross-selling DBS' full range of banking products, the distribution of insurance products, and provision of financial advisory services. It provides access to a large, stable, low-cost funding base and the ability to achieve scale and scope economies.

The result is greater convenience and better value to our combined customer base: DBS and POSBank together offer 169 domestic branch offices and a network of nearly 1,000 ATMs. Customers of both can now use ATMs for cash withdrawal, balance enquiry, funds transfer and CashCard services. DBS' Personal Autophone Service is also available to POSBank Savings Account holders.

Last year we achieved a number of 'firsts' in personal banking, each with an eye on delivering world-class banking – with hometown service.

DBS was the first Singapore bank to introduce Platinum MasterCard and Visa cards.

Last year we achieved a number of 'Firsts' in personal banking, each with an eye to delivering world-class service at an affordable price.

Our continuing investment in technology brought our customers new products and services – new experiences in the world of banking and finance. Now, for the first time in Singapore, DBS customers can open Singapore dollar fixed deposit accounts and apply for DBS Internet Banking service through our ATMs. We also offer customers comprehensive investment capabilities via the Net. With a simple 'point and click' DBS customers can check on the value of their CPF investments and unit trusts, the status of IPO share applications, foreign currency executions, securities transactions and financing accounts – at a time and place convenient to them.

We enhanced programmes targeted to specific customer groups with new services including the introduction of DBS One, a priority banking service for affluent customers. DBS One customers enjoy personalised, priority service at selected DBS branches and have access to 24-hour service centre personnel through DBS Direct. To meet our customers' growing regional banking needs, account holders can now place deposits at our overseas branches from any Singapore location.

We have finalised a strategic alliance aimed at developing an investment management programme for individual investors with The Frank Russell Company, a 60-year old investment house with a worldwide reputation for performance and managing over US$1.3 trillion in assets today. The Frank Russell Company is one of the few premier investment institutions successfully engaging in U.S. domestic and international asset management for both individuals and institutions.

Investment in technology brings our customers new products and services – new experiences in the world of banking and finance.

We were the first Singapore bank to distribute unit trusts managed by high-performing global fund managers, and the first to introduce the Platinum MasterCard and Visa cards, reinforcing our position as a premier credit card service provider.

Following the consolidation of Thai Danu Bank and DBS Bank Philippines and the impending acquisition of Kwong On Bank in Hong Kong, we will be integrating these entities into our network as we begin to extend our retail franchise throughout the region, responding to financial needs of our valued customers.

Private Client Group

The newly-formed Private Client Group (PCG) is another example of bundling DBS capabilities around customer segments – and then delivering a wide range of products and services in a convenient, coordinated way. PCG is focused on the unique needs of DBS' growing high net worth client base, providing financial planning services and making use of world-class products through strategic alliances where relevant.

Using a comprehensive approach to financial planning, we tailor premium services for each customer, integrating traditional banking services with broker-age, tax advisory and generational planning, together with a range of sophisticated investment products.

Private Banking

Aided by the Bank's strong credit rating, funds under management grew significantly despite the regional crisis. DBS Investor Online, an Internet-based investment advisory service, made its debut and now provides customers with information previously only available to institutions, in addition to tools for risk evaluation, charting/graphic screens, market alerts, and electronic-order entry.

Managing Your Assets

The discretionary management of funds is handled by the Bank's subsidiary, DBS Asset Management Ltd (DBSAM). DBSAM achieved a modest increase in assets under management in a challenging environment. It acquired Koeneman Capital Management, a Singapore-based investment advisory firm with a proprietary, quantitative modelling system which, when combined with DBSAM's existing research capabilities, provides new dimensions to our disciplined approach to investment management.

DBS One provides highly personalised, priority service for affluent customers.

Investor Online, DBS' Internet-based investment advisory service, provides customers with information and tools for risk evaluation, market alerts and electronic order entry.

DBS Investor Online made its debut, providing customers with information about their investment portfolios previously only available to institutions.

In an effort to provide further diversification of risks to investors, DBSAM launched the Shenton Global Advantage Fund in partnership with U.S. fund house Cowen Asset Management, to invest in international stocks with market capitalisation of up to US$1 billion. It also launched the Shenton Greater Europe Fund, a European equities fund with Scudder Kemper Investments as advisor. In addition, the Shenton Dynamic Bond Fund was re-launched in view of the more positive fixed income environment. Six unit trusts managed by DBSAM received much-sought-after Central Provident Fund's 'Approved Status' by the Government's independent investment consultants, William Mercer & Co. DBSAM bagged two awards in the 1998 Investment Fund Awards: one for the Shenton US Growth Fund, and the other, the Shenton Japan Growth Fund. This is the third year in a row that DBSAM has won the prestigious awards.

Self-Directed Investing

DBS Securities Group (DBSS) continued to strengthen its sales and research capabilities and is now ranked as one of Asia's top 20 and Singapore's top ten stockbrokers according to Asiamoney, and among the top 20 in research on Hong Kong and Chinese companies in a Reuters survey. DBSS was the lead placement agent for the first issue of covered warrants based on the DBS 50 Index.

To position itself for the opening of the securities markets in China, DBSS acquired 'B' seat licences on the Shanghai and Shenzhen stock exchanges. DBSS also acquired a 49 percent stake in DBS Thai Danu Securities, a joint venture, which provides stockbroking and investment banking services in

We have finalised a strategic alliance aimed at marketing a range of managed investment products with The Frank Russell Company.

Thailand. DBSS' associate company in Malaysia, Hwang-DBS Securities, was the first local stock-broking firm permitted to operate a branch and to engage in corporate finance advisory activities.

Looking ahead, DBSS continues to position itself to meet the rapidly changing competitive landscape of the stockbroking business and further liberalisation in store for the industry as Singapore and Hong Kong de-mutualise their stock and futures exchanges.

Enterprise Banking

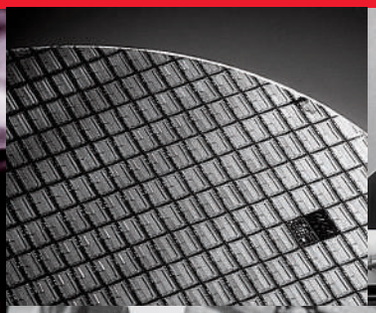
Small and medium-sized businesses are the back-bone of a strong and healthy economy. DBS has developed a range of banking programmes, services and solutions to meet the needs of this unique and growing customer base. We provide value-added products at competitive prices and the financial expertise to help entrepreneurs build their businesses, realise their wealth and, then, manage it for successive generations.

In 1998 we continued to finance and advise sound, forward-looking companies, based on our industry knowledge and expertise, our local and regional branch network, and the financing schemes offered by the Singapore Government through the Economic Development Board and the Productivity and Standards Board. Through the Resource Productivity Scheme and Local Enterprise Finance Scheme (LEFS), both Government-assisted financing programmes, the Bank together with DBS Finance Group helps entrepreneurs and enterprises meet their growing financing needs. DBS Factors Pte Ltd also increased its involvement in LEFS' Factoring, a convenient way to raise funds in challenging times. Of the 50 Promising Local Enterprise award winners for 1998, 32 were our customers.

To deliver our broad range of services and develop new products for this important customer segment, DBS Finance Group and DBS Factors were consolidated with the Bank's Enterprise Banking division early in 1999. This will provide for even greater links to existing Enterprise Banking customers and ultimately, extend the Enterprise platform to our expanding customer base in the region.

DBS entered into a strategic alliance with The Frank Russell Company to develop a world-class investment programme for Singapore investors.

Our approach is straightforward: we start by **making our customers' business goals our business goals.** We want to be considered as their strategic partner.



Clockwise from top left:

- We joint-managed share placements for NatSteel Electronics which raised S$255 million.
- DBS is currently involved in 67 high-growth ventures, having seen 18 through to public listing.
- DBS launched covered warrants on Singapore Airlines stock.
- The Bank continued to be a leading force in treasury operations in the domestic interbank arena.

Institutional Banking, Treasury & Capital Markets

Applying a unique blend of finance, industry and technological expertise we seek to keep pace with dynamic markets, translating insight into solutions that meet diverse financial needs of our customers.

Institutional Banking

Leadership depends on bringing value to customers. In our Institutional Banking Group, knowledge and experience mean delivering innovative banking solutions to customers in a wide range of industries. Our goal is to provide a complete menu of financing options, advisory services and fund raising programmes to help our corporate customers meet every financial need – at the right time, for the right price.

Against the more subdued operating conditions in Singapore, we nevertheless maintained our long-standing, dominant market share in Singapore dollar loans in most sectors. Our market share of trade services transactions increased despite lower volumes due to reduced economic activity in the region.

In the manufacturing sector, we targeted customers in electronics, transport equipment, downstream petrochemical and engineering industries. In the building and construction sector, our focus was helping customers manage and consolidate their activities in the face of declining asset values.

As other banks reviewed and rationalised their activities, we focused on strengthening ties with larger corporates, including multinationals and Government-Linked Companies. We are building strong, lasting relationships with our customers and capital market transactions featured actively in our dealings throughout the year. For example, we arranged a S$244 million club loan for Sembawang Utilities and Terminal Pte Ltd, the first Singapore project financing transaction for local infrastructure. We also led an innovative US$100 million Structured Revolving Credit Facility for APP Paper Trading (S) Pte Ltd to finance inventory and receivables.

Industrial Distribution of DBS Group's Loans & Advances, including Bills Financing (as at 31 December)

Sectoral distribution in %	1998	1997	1996	1995	1994
Manufacturing	10.8	14.3	12.8	14.3	15.4
Building and construction	15.2	19.3	18.5	17.2	18.5
Housing loans	25.0*	14.4	15.7	13.0	11.5
General commerce	5.9	7.5	7.7	8.6	8.7
Transport, storage and communication	6.7	8.5	7.9	8.0	8.0
Financial institutions	12.3	16.9	17.2	18.1	16.2
Professionals and private individuals	8.5	10.8	12.1	12.4	12.7
Others	15.6	8.3	8.1	8.4	9.0
Total	100.0	100.0	100.0	100.0	100.0
Total (S$ millions)	56,215.4	40,134.7	31,012.7	26,171.8	22,055.3

* The proportion of housing loans increased in 1998 due to the consolidation of POSBank's housing loans

Knowledge and experience mean delivering innovative financial solutions to customers in a wide range of industries.

We coordinated the efforts of a syndicate of banks, leading to the successful launch of the MAS Electronic Payments System (MEPS) for Singapore dollar payments. And, in 1998, we achieved ISO 9002 certification for funds transfer operations.

The Bank has developed an improved PC-based platform to bring our whole range of cash management solutions right onto our customers' desktop. Known as IDEAL (Integrated Direct Electronic Link), this web-browser-based platform is extremely user friendly. Through IDEAL, our customers can access the Bank's cash management products at a click of the mouse.

DBS Bank's suite of integrated cash management solutions is tailored to meet our customers' need to ultimately manage their cash flow more efficiently. The scope of solutions ranges from collections on one end to payments on the other, with cash and liquidity management being the core control module. It also includes the generation of necessary reports which can be interfaced to customers' own accounting system.

The Bank's custody services continue to win top ratings from Global Custodian, iCB (Euromoney), GSCS Benchmarks and Global Investor. Revenue from portfolio and transaction fees was affected by the regional crisis; but, the Bank extended its securities lending programme which now covers five markets in Asia. We expect the introduction of the book-entry Debt Securities Clearing and Settlement System for new Singapore dollar bond issues in 1998 to have a favourable impact on future volumes.

Capital Markets & Advisory

During 1998, DBS Bank achieved several important milestones in Singapore's capital markets. We were joint lead manager of a US$1 billion exchangeable

DBS Bank achieved several important milestones in Singapore's Capital Markets in 1998, including a first in asset-backed securities.

bond issue and won the International Financing Review's Asian Equity-Linked Issue of the Year award. The bonds which are exchangeable into ordinary shares in Singapore Telecommunications Ltd represented the largest convertible (or exchangeable) bond offering in Asia, excluding Japan.

The Bank also managed the first asset-backed securitisation transaction in Singapore by issuing S$185 million of mortgage-backed bonds cum redeemable preference shares. The bonds are secured by the flagship office building of Neptune Orient Lines Ltd. An innovative feature of the transaction is the opportunity for investors to realise a share of gains on the sale of the building.

We were also the co-lead manager of a S$300 million bond issue by the International Finance Corporation, the World Bank's private lending arm. This was the first Singapore dollar bond sale by a supranational body.

In the equity market, DBS Bank successfully launched covered warrants on Singapore Airlines Ltd and Keppel TatLee Bank Ltd shares. Compared to past issues, which were placed exclusively with institutional investors, both issues featured smaller minimum subscriptions and board-lot sizes, making them affordable to individual investors. In the case of the Singapore Airlines transaction, DBS was the first bank to distribute warrants to the public through ATMs.

DBS was the leading underwriter of initial public offerings (IPOs), lead-managing eight of the 20 companies listed on the Stock Exchange of Singapore (SES) during the course of 1998.

Above: NOL – the first asset securitisation transaction in Singapore.

Left: Sembawang Utilities – the first Singapore project financing transaction for local infrastructure.

DBS' Capital Markets team received the Asian Equity-Linked Issue of the Year Award for our work on the Fullerton Global Corporation/Temasek Holdings exchangeable bond issue.

In the secondary market, DBS Bank lead-managed three of seven rights issues; for Nippecraft Ltd, ST Capital Ltd and DBS Bank. We arranged a S$400 million floating-rate note issue for ST Treasury Services Ltd and joint-managed the year's two largest share placements of NatSteel Electronics Ltd shares which raised S$255 million.

DBS also led in corporate advisory activities, advising on a number of mergers during the course of 1998 including: the take-overs of Pacific Century Regional Developments Ltd and CSA Holdings Ltd; the acquisition of Shenzhen Haixing Harbor Development Co. Ltd by China Everbright Pacific Ltd; the acquisition of Keppel Shipyard (Pte) Ltd by Hitachi Zosen Singapore Ltd; and the divestiture of Yaohan Best Electrical Pte Ltd by IMM Multi-Enterprise Ltd.

Issues Lead-managed & Underwritten by DBS Bank in 1998

Issuer	Date of listing
TSM Resources Ltd	8 January
Hong Leong Asia Ltd	6 March
Hersing Realty Ltd	18 March
Brilliant Manufacturing Ltd	6 April
ASA Ceramic Ltd	1 June
PSL Holdings Ltd	9 October
Ultro Technologies Ltd	23 October
Spindex Industries Ltd	2 November

The Bank also assisted Acer Computer International Ltd in obtaining the first shareholders' mandate for share repurchase based on new SES guidelines.

One notable capital market transaction was the Bank's acquisition of the business undertaking of POSBank for S$1.6 billion, which strengthened our position as the largest bank in Southeast Asia with total assets exceeding S$90 billion.

In Hong Kong, DBS Asia Capital Ltd was lead or co-lead manager for three IPOs, including Computer and Technologies Holdings Ltd. We lead-managed the HK$300 million 'B' share issue of Dalian

Refrigeration Company Ltd. DBS Asia Capital also advised Hong Kong-based corporate customers in 15 merger and acquisition transactions.

The Bank, together with DBS Capital Investments Ltd (DBSCI) continued to expand its direct investment activities in the region. DBSCI made investments totalling S$26 million in seven new companies and one follow-on fund. As at end-1998, DBSCI had 67 direct and indirect investments in a number of high-growth venture capital funds/management companies. Eighteen of the direct investee companies have now been publicly listed, including TSM Resources Ltd and Brilliant Manufacturing Ltd which were listed on the SES during the course of 1998.

Treasury & Markets

In its treasury operations, the Bank continued to be a leading force in the domestic arena. Our leadership position in Singapore dollar-denominated spot and forward transactions was maintained, despite the regional currency crisis. Further building on its reputation as the first choice of Singapore corporate treasurers for foreign exchange transactions, the Bank continued to broaden its marketing coverage to provide treasury products and services to small and medium-sized businesses.

We also played a key role in the further development of the domestic corporate bond markets, leveraging on our distribution capabilities in the debt capital markets. During 1998, we successfully placed six primary Singapore dollar bond issues, including the first Singapore dollar supranational bond issue for the International Finance Corporation and the first corporate bond issued via a tender system by Jurong Town Corporation.

The acquisition of POSBank enhanced the Bank's already dominant position in both the local money market and the Singapore Government Securities (SGS) market where we remained the most active participant. Besides SGS and selected bond issues, DBS was also an active market maker for Singapore dollar-denominated interest rate and currency swaps.

DBS Trading Pte Ltd achieved commendable growth in its futures broking activities in 1998.

DBS' regional network has grown to include **1,424 banking locations (including ATMs) in 12 countries** serving more than **5 million customers**.

- No matter the country, time zone or currency, DBS is providing a wide range of banking services and solutions to customers throughout the Asia-Pacific region.

Regional Development

Building presence means reaching people throughout Asia with information-based services that support a network of DBS locations through a variety of physical and electronic channels.

In international banking, loan syndication and project finance activities in 1998 were subdued due to the regional crisis and its after-affects. Though we remained vigilant and pro-active in managing exposure, a number of initiatives were undertaken despite the difficult conditions.

These included a US$526 million Project Finance Loan for the Fujian Pacific Electric Company in China which DBS Bank successfully arranged with a number of international banks. In Thailand, DBS Bank was one of the lead arrangers for a US$1 billion loan to the Government's Export-Import Bank. This was the first major international loan for a Thai entity since the Baht devaluation in July 1997. In India, DBS also arranged a ¥18.34 billion loan facility for the National Thermal Power Corporation, the country's largest power producer/supplier.

The Bank seized opportunities in 1998 to further extend its regional franchise. Notwithstanding the economic downturn, we remain committed to becoming a leading bank in the region. From our strong foundation in Singapore, we aim to create a network of branches and subsidiaries located in key regional countries that can deliver a comprehensive range of local and cross-border banking products and services to an increasingly diverse customer base.

In March, DBS Bank acquired a 50.27% stake in Thailand's Thai Danu Bank and shortly thereafter completed a 60% acquisition of Bank of Southeast Asia (since renamed DBS Bank Philippines). Integration of activities, systems and infrastructure of the new banking affiliates is progressing smoothly. In December, we announced a conditional voluntary offer for Kwong On Bank of Hong Kong after receiving irrevocable undertakings from existing shareholders to sell us a 65 percent interest.

The DBS regional network has now grown to include 1,424 banking locations including ATMs in 12 countries serving more than 5 million customers. In Shanghai, DBS Bank was in the second batch of ten foreign financial institutions to be granted licences to conduct Renminbi business. Our Shanghai Branch commenced Renminbi services in April 1999.

Thai Danu Bank

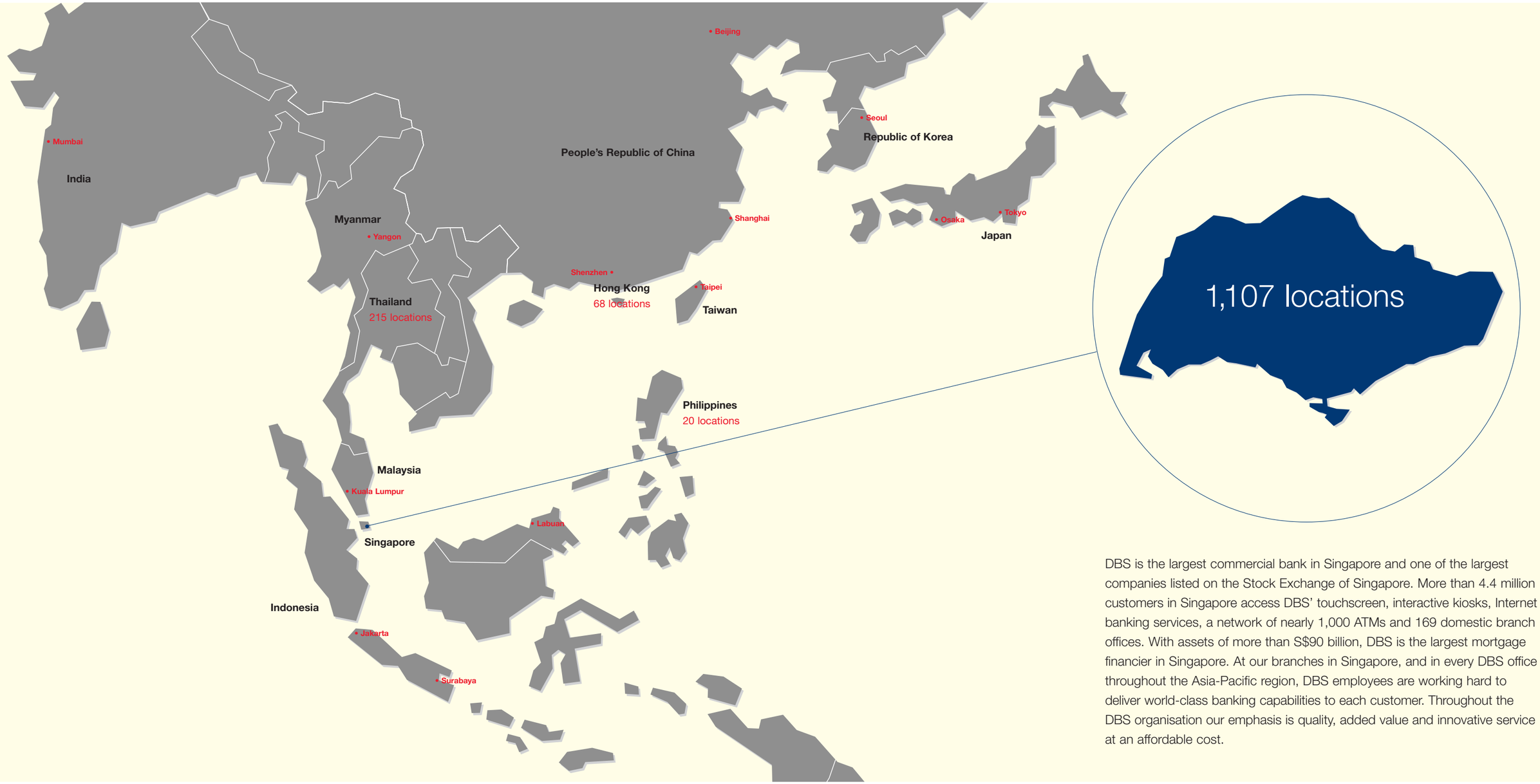
The economic crisis continued to have a negative impact on all Thai banks. Thai Danu Bank (TDB) reported a loss of Bt9,126 million for the year, due to increased provisions of Bt7,021 million for non-performing loans (NPLs), which at the end of 1998 represented 52.7 percent of its total loans, as well as write down of its investments amounting to Bt1,667 million. The specific provisions in TDB's books were made in accordance with Bank of Thailand's (BOT's) new guidelines which phase in provisions in five semi-annual periods up to Year 2000.

However, an extensive review of TDB's asset quality was undertaken in conjunction with DBS Group's external auditors, Price Waterhouse, as conditions in Thailand continued to deteriorate. And, DBS Group accounts for 1998 provided for all the specific provisions required, amounting to Bt25 billion, on the NPLs in accordance with Singapore provisioning standards which require immediate recognition.

Efforts are under way to closely align the operations of Thai Danu with those of DBS.

In February 1999, TDB and DBS announced a capital raising exercise which is expected to raise between Bt12 billion and Bt17 billion to allow TDB to meet BOT's provisioning guidelines ahead of Year 2000 as well as for future expansion of business. This exercise consists of a rights issue of shares, an issue of Capital Augmented Preferred Shares (CAPS) to be placed in Thailand, and CAPS with a convertible feature to be placed with DBS. TDB's total capital adequacy ratio is expected to increase to at least 17.45 percent as a result.

To counter the increase in NPLs, credit controls have been centralised and internal processes revised in line with international standards. Credit officers have been retrained and a 'hospital bank' formed to provide financial restructuring for customers with viable businesses who face temporary problems. Experienced staff have been recruited to assist in the NPL resolution process. In addition, a Problem Loan Committee has been formed to review existing and potential NPLs, provide restructuring guidelines and decide on the ultimate course of action. Given the measures taken by TDB, the Thai Government and BOT, NPLs are expected to be contained in 1999 and diminish thereafter.



DBS is the largest commercial bank in Singapore and one of the largest companies listed on the Stock Exchange of Singapore. More than 4.4 million customers in Singapore access DBS' touchscreen, interactive kiosks, Internet banking services, a network of nearly 1,000 ATMs and 169 domestic branch offices. With assets of more than S$90 billion, DBS is the largest mortgage financier in Singapore. At our branches in Singapore, and in every DBS office throughout the Asia-Pacific region, DBS employees are working hard to deliver world-class banking capabilities to each customer. Throughout the DBS organisation our emphasis is quality, added value and innovative service at an affordable cost.

Efforts have been under way to more meaningfully align the operations of TDB with those of DBS to leverage best practices and facilitate coordination of business policies, customer initiatives and support services. Working with external management consultants, a new organisation structure was announced which more closely aligns TDB with its customer base. The end result is expected to be a bank that is better positioned for the Thai financial services market and better able to address the unique needs of its customer segments, once the crisis has passed.

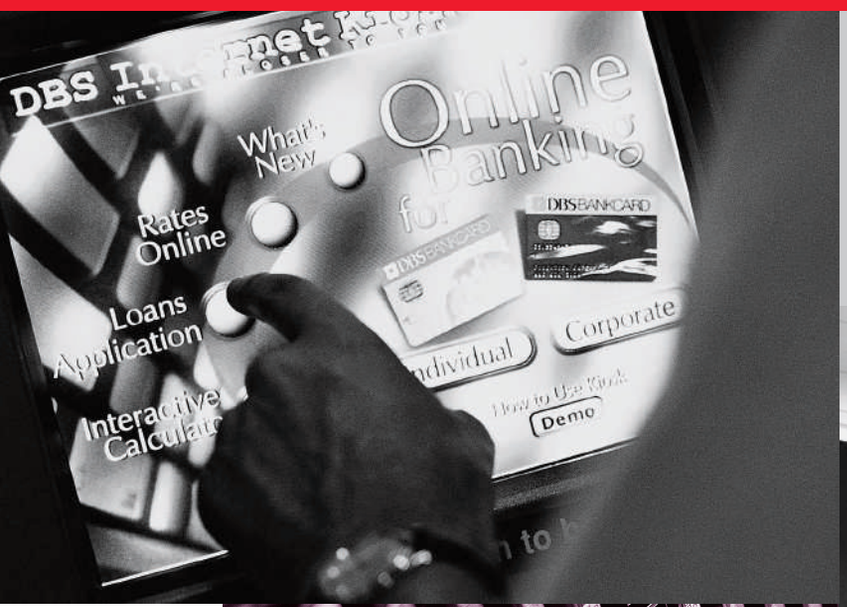
DBS Bank Philippines

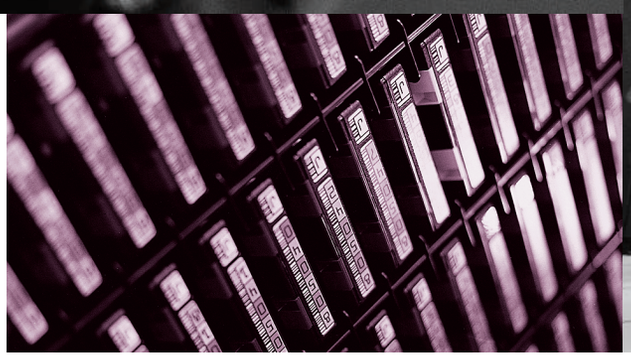
Operations of DBS Bank's former Manila Branch were consolidated with those of DBS Bank Philippines in September 1998. DBS Bank Philippines has a network of 20 branches operating mainly in Metro Manila, and serves as the Group's operating vehicle in the Philippines.

PT Bank DBS Buana

Amidst the economic downturn and political and social unrest in Indonesia, PT Bank DBS Buana worked actively to restructure loans, institute stringent controls, adopt cost-cutting measures and focus intensively on productivity improvement. Efforts were made to increase fee-based activities and treasury business.

Combining key banking support activities is a way to **leverage** the **skills** of our staff **and control investment and expenses**, to better serve our customers.





Clockwise from top left:

- **DBS brings Internet banking to the streets with the Bank's latest innovation; full service, interactive, multimedia banking kiosks.**
- **With a shorter batch processing time, DBS' new robot server brings increased availability of services to customers.**

Logistics

Technology is the key to offering integrated services, innovative products and complete financial information – and to improving productivity, enriching the skills of our workforce, and transferring global best practices throughout the organisation.

The future of banking is the delivery of information and services in an integrated fashion. Increasingly, financial service providers will have to respond to customer requirements in real time, any time, anywhere. We seek to maximise the skills and energy of our workforce to better control investment and expenses by centralising the Bank's functional support activities. As the support and service structure comes together, we will be even better positioned to serve our customers. As functions are upgraded to centres of excellence, leveraging operating platforms and size, Singapore will serve as a model for our overseas operations.

An efficient and cost-effective processing and servicing environment demands scale economies; centralisation helps management capitalise on the similarities in straight-through methodology which, even with our diverse product offering are greater than the differences. The Bank has already begun to consolidate its processing and servicing capabilities from credit cards and mortgage processing to day-to-day customer support and enquiry functions. The goal to consolidate the various operating platforms for efficiency and control will take some time to fully accomplish but will facilitate our efforts to establish benchmarks for continuous improvement.

Information technology is a core competence at DBS Bank. We are a respected leader in finding new ways to apply technology to all aspects of the banking business. Clearly, technology is the linchpin of our strategy to build a world-class regional bank. It is key to offering integrated services and a varied product range, improving productivity, enriching the skills of our workforce and transferring global best practices rapidly throughout the DBS organisation.

Investment in technology means improved communications, closer monitoring and enhanced security systems across the bank.

Much work has been completed in web-based communications, data mining and warehousing, risk simulation, encryption and fraud detection, together with the constant upgrading of core systems for processing and reporting to our diverse constituencies. While there is no area in which we anticipate greater change, we believe we are solidly grounded and will achieve significant advantage from 'commercialising' technologies in all of the markets where we compete in Asia.

DBS continues to find new ways to use technology to provide better service delivery and efficiency – and most importantly, to allow our people to focus their time and energies on serving customers. This is increasingly important as business volumes grow, the level of complexity in our industry increases and our regional presence expands. For example, a new system for on-screen cheque verification by a central processing unit has increased productivity and freed branch staff to concentrate on marketing new products. Another advance improves and centralises the age-old process of cheque cutting, using the latest workflow and imaging technologies. Additional services available to our cyberbanking customers include bidding for Certificates of Entitlement for the purchase of automobiles, fixed deposit placement and instantaneous credit card enquiries.

The Customer Profile System launched in 1998 uses state-of-the-art software to capture historical information about DBS customers in a secure environment – available only to authorised banking officers – at the click of a mouse. Quick and complete access to information, and enhanced communications capabilities help us to support our operations throughout Asia and provide the same level of service in our subsidiaries that customers have come to expect in Singapore. During the course of 1998 we were also active participants in the implementation of the new, national real-time gross settlements system introduced by the

Monetary Authority of Singapore and improved our back-office processes for better control of the receipt and release of funds.

Risk management capabilities are also being consolidated into a centralised group to create, within DBS as a whole, a panoramic view – across products, geography and counterparties of assets and liabilities on and off the balance sheet – of the risks we deal with every day. During the year, a credit scoring system and a data warehouse to facilitate credit analysis were rolled out internally as part of this effort. We implemented methodologies to estimate the potential credit exposure of off-balance sheet instruments through statistical analysis. On market risk management, we extended our Daily Earnings at Risk (DEaR) reporting beyond Head Office to cover major overseas branches and subsidiaries. We also put in place a system to monitor compliance with DEaR-based limits which ensures that risk-takers do not exceed the aggregate risk and concentration parameters set by senior management. Please refer to pages 21 to 27 for further details of our risk management organisation and our operating philosophy for monitoring and managing risk.

In 1998, DBS Bank continued to **support the community** with gifts of money and employees' time.

Clockwise from top left:

- More than 70 students will receive DBS scholarships through our support of the Society for the Physically Disabled.
- We also assisted the Singapore Sports Council by raising funds and supporting athletes in the Disability Sports 2000.
- Theatrical productions sponsored by DBS included the Singapore Repertory Theatre's Golden Child, Ah Kong's Birthday Party, ART, and A Twist of Fate.
- DBS volunteers are active in the National Council of Social Service's Elderly Programme, which provides meals and services for needy elderly.

Supporting the Community

The Bank supports charitable, educational and cultural institutions benefiting a cross-section of the community with special emphasis on programmes that help people help themselves.

During the year, DBS Bank awarded three scholarships with a total value of S$500,000. Since its inception, DBS has awarded more than 100 scholarships totalling S$8.4 million.

DBS also spent a total of S$235,000 in support of the National Council of Social Services' Elderly Programme, the Society for the Physically Disabled's SPD-Hope-DBS Education Programme, and the Singapore Sports Council for the Disabled's Disability Sports 2000 Programme.

For our long-time support of the SHARE programme, DBS received the Distinguished Gold Award for the third consecutive year. SHARE contributions from the Bank and employees over the last three years have totalled more than S$500,000. The Bank also participates in the SHARE Executive Programme which 'loans' management to the Community Chest of Singapore for 20 working days each year.

In recognition of our interest and involvement in charitable work, the Community Chest of Singapore awarded DBS Bank the 1998 Outstanding Corporate Citizen Award for Public Sector and Government-Linked Companies.

Financial Report

Good corporate governance dictates the way we maintain ongoing effectiveness in all aspects of DBS' operations – including the way we measure and report our financial results to shareholders.

The same high standards that guide all of our business endeavours also determine the way we disclose information about our business. DBS is committed to providing shareholders, irrespective of the size of their holdings, with full and open disclosure. We seek transparency in our financial reporting and comprehensive communications about our performance measures, growth strategies and results. Our primary job is to build value over time for investors who have entrusted their assets to us. To support this responsibility, DBS' corporate governance programme strives for ongoing effectiveness in all aspects of the Bank's operations.

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Profit and Loss Account for the year ended 31 December 1998

	Note	DBS Bank 1998 (S$'000)	DBS Bank 1997 (S$'000)	DBS Group 1998 (S$'000)	DBS Group 1997 (S$'000)
Interest income	4	**4,125,502**	2,932,407	**4,931,259**	3,178,454
Less: Interest expense	9	**2,889,041**	2,055,830	**3,501,256**	2,176,646
Net interest income		**1,236,461**	876,577	**1,430,003**	1,001,808
Fee and commission income	5	**175,035**	183,259	**274,130**	298,688
Dividends	6	**94,034**	123,094	**67,241**	86,679
Rental	7	**40,505**	35,522	**37,660**	32,885
Other income	8	**82,934**	86,500	**97,036**	92,246
Income before operating expenses	42	**1,628,969**	1,304,952	**1,906,070**	1,512,306
Less: Staff costs	10	**226,742**	201,955	**333,588**	276,791
Other operating expenses	11	**293,199**	164,883	**420,779**	216,087
Total operating expenses		**519,941**	366,838	**754,367**	492,878
Operating profit		**1,109,028**	938,114	**1,151,703**	1,019,428
Less: Provision for possible loan losses and diminution in value of other assets	12	**808,140**	463,870	**996,428**	495,514
Net profit before taxation		**300,888**	474,244	**155,275**	523,914
Less: Taxation	13	**61,900**	72,600	**72,084**	87,817
Net profit after taxation		**238,988**	401,644	**83,191**	436,097
Less: Minority interests		**–**	–	**(139,557)**	(290)
Net profit attributable to members	19.4,42	**238,988**	401,644	**222,748**	436,387
Earnings per ordinary share of S$1/- each	17			**Cents 22.9**	Cents 53.7
US$/S$ exchange rate as at 31 December		**1.65**	1.68		

(See notes on pages 59 to 98, which form part of these financial statements)

Balance Sheet as at 31 December 1998

	Note	DBS Bank 1998 (S$'000)	DBS Bank 1997 (S$'000)	DBS Group 1998 (S$'000)	DBS Group 1997 (S$'000)
Share Capital and Reserves					
Share capital	18	**1,564,977**	1,238,815	**1,564,977**	1,238,815
Reserves					
Share premium account	19.1	**3,914,158**	1,646,051	**3,914,158**	1,646,051
Capital reserve	19.2	**–**	224,497	**–**	215,204
General reserve	19.3	**1,207,630**	1,147,880	**1,340,734**	1,274,750
Revenue reserve	19.4	**1,900,749**	2,370,745	**2,308,956**	2,822,295
	19	**7,022,537**	5,389,173	**7,563,848**	5,958,300
Shareholders' Funds		**8,587,514**	6,627,988	**9,128,825**	7,197,115
Minority Interests		**–**	–	**(71,212)**	49,322
Subordinated Term Debts	20, 41	**–**	–	**126,100**	–
Liabilities					
Deposits and balances of banks	41	**12,146,717**	20,329,950	**12,618,271**	20,480,499
Deposits and other accounts of non-bank customers	22, 41	**65,871,176**	30,614,000	**73,858,292**	33,557,006
Other debt securities in issue	21, 41	**277,028**	152,056	**349,028**	223,056
Other borrowings	41	**331,255**	1,215,132	**648,100**	1,625,212
Due to subsidiary companies		**167,258**	114,975	**–**	-
Bills payable		**356,805**	685,429	**366,010**	685,763
Other liabilities	23	**1,401,783**	704,935	**1,750,734**	1,149,525
Current taxation		**81,962**	62,439	**108,144**	94,793
Deferred taxation	24	**5,263**	29,456	**11,666**	36,264
Proposed dividends	14-16	**81,358**	52,747	**81,358**	52,747
Total Liabilities and Shareholders' Funds		**89,308,119**	60,589,107	**98,975,316**	65,151,302
Off-Balance Sheet Items					
Contingent liabilities	35	**8,188,328**	8,629,389	**8,684,790**	8,646,570
Commitments	36	**34,146,801**	33,422,965	**35,600,398**	34,782,495
Financial derivatives	37	**34,488,395**	35,699,983	**36,056,167**	36,508,113
		76,823,524	77,752,337	**80,341,355**	79,937,178
US$/S$ exchange rate as at 31 December		**1.65**	1.68		

(See notes on pages 59 to 98, which form part of these financial statements)

	Note	DBS Bank 1998 (S$'000)	DBS Bank 1997 (S$'000)	DBS Group 1998 (S$'000)	DBS Group 1997 (S$'000)
Assets					
Cash, and balances and placements with central banks		**8,448,667**	1,389,247	**8,720,463**	1,533,188
Singapore Government securities and treasury bills	25	**6,703,713**	2,409,328	**6,949,915**	2,529,161
Trading Securities	26-27	**1,935,658**	1,425,686	**2,733,092**	1,509,624
Balances, placements with, and loans and advances to banks	41	**19,259,580**	14,667,671	**20,751,947**	16,292,355
Bills receivable from non-bank customers	28-29, 41	**1,713,894**	1,177,337	**2,056,912**	1,249,804
Loans and advances to non-bank customers	28-29, 41	**47,265,962**	35,803,205	**54,158,482**	38,884,874
Investment securities	30	**188,883**	348,842	**315,559**	438,460
Other assets	31	**780,706**	832,350	**1,265,234**	1,286,344
Subsidiary companies	32	**1,691,465**	1,593,342	–	–
Associated companies	33	**375,777**	369,241	**404,834**	392,182
Fixed assets	34	**943,814**	572,858	**1,618,878**	1,035,310
Total Assets	42	**89,308,119**	60,589,107	**98,975,316**	65,151,302

Cash Flow Statement for the year ended 31 December 1998

	DBS Group	
	1998 (S$'000)	1997 (S$'000)
Cash flows from operating activities		
Profit before taxation and minority interests	**155,275**	523,914
Adjustments for non-cash items:		
Provision for possible loan losses and diminution in value of assets	**996,428**	495,514
Depreciation of fixed assets	**88,018**	58,279
Profit on sale of fixed assets	**(200)**	(1,225)
Profit on sale of investment securities	**(1,118)**	(42,439)
Operating profit before changes in operating assets & liabilities	**1,238,403**	1,034,043
Increase/(Decrease) in:		
Deposits and other accounts of non-bank customers	**9,987,582**	2,951,025
Deposits and balances of banks	**(8,534,105)**	5,923,884
Other liabilities including bills payable	**(275,225)**	188,473
(Increase)/Decrease in:		
Government securities and trading securities	**(481,461)**	416,947
Other assets	**674,767**	(152,057)
Balances, placements with, and loans and advances to banks	**3,504,657**	(798,375)
Loans and advances to non-bank customers including bills receivable	**(782,690)**	(9,486,896)
Tax paid	**(84,636)**	(162,633)
Net cash provided by/(used in) operating activities (1)	**5,247,292**	(85,589)
Cash flows from investing activities		
Acquisition of new subsidiaries (Note 32.5)	**(266,469)**	(32,482)
Acquisition of business undertakings	**1,578,842**	–
Purchase of fixed assets	**(99,818)**	(74,735)
Purchase of investment securities	**(80,752)**	(80,877)
Proceeds from sale of fixed assets	**6,747**	3,795
Proceeds from sale of investment securities	**15,680**	83,305
Net cash provided by/(used in) investing activities (2)	**1,154,230**	(100,994)
Cash flows from financing activities		
Increase/(Decrease) in:		
Share capital and share premium	**994,269**	4,155
Debt securities and borrowings	**(81,584)**	100,464
Funds from minority interests	**1,959**	894
Expenses arising from DBS CPS	**–**	(11)
Dividends paid by DBS Bank	**(114,093)**	(94,424)
Net cash provided by financing activities (3)	**800,551**	11,078
Exchange translation adjustments (4)	**(14,798)**	(49,701)
Net change in cash, and balances and placements with central banks (1)+(2)+(3)+(4)	**7,187,275**	(225,206)
Cash, and balances and placements with central banks as at 1 January	**1,533,188**	1,758,394
Cash, and balances and placements with central banks as at 31 December	**8,720,463**	1,533,188

(See notes on pages 59 to 98, which form part of these financial statements)

Notes to the Financial Statements

These notes form an integral part of and should be read in conjunction with the financial statements.

1 General

The financial statements are expressed in Singapore dollars. DBS Bank is principally engaged in the business of banking including the operations of an Asian Currency Unit under terms and conditions specified by the Monetary Authority of Singapore. The principal activities of the subsidiary companies in DBS Group are disclosed in Note 32.2.

2 Principal Accounting Policies

The following are the principal accounting policies applied by DBS Bank and its subsidiary companies and are consistent with those applied in the previous financial year, except for the change in method of accounting for debt securities and equities as disclosed in Note 2.7.2 to the financial statements.

2.1 Basis of Accounting

The financial statements of DBS Bank and its subsidiary companies are prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments to market value, and in accordance with the provisions of the Companies Act and Statements of Accounting Standard except for the application of equity accounting for associated companies required under Statements of Accounting Standard No. 27 which will be implemented in 1999 as allowed by Notice 608 issued by The Monetary Authority of Singapore.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of DBS Bank and its subsidiary companies. These subsidiary companies are companies in which DBS Bank has an interest of over 50% in the issued share capital at balance sheet date. The results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition to the date of disposal. In addition, the results arising from the business undertakings of POSBank are included in the financial statements of DBS Bank and of DBS Group with effect from 1 July 1998 (Note 32.6).

2.3 Goodwill

Goodwill may arise on the acquisition of subsidiary companies and business undertakings. It represents the excess of cost over fair value of the share of net tangible assets acquired. Goodwill is taken directly to reserves in the year of acquisition. Any excess of the value of net tangible assets acquired over the cost of acquisition is credited to reserves as reserve arising on consolidation.

2.4 Subsidiary Companies and Associated Companies

Investments in subsidiary companies and associated companies are stated at cost less provisions. Provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary.

Associated companies are companies in which the DBS Group has a long-term equity interest of between 20% and 50% and over whose financial decisions and operating policies the DBS Group exercises significant influence.

2.5 Foreign Currencies

Amounts receivable and payable in foreign currencies are translated into Singapore dollars at the exchange rates ruling at balance sheet date and transactions during the year are translated at the exchange rates ruling at the transaction dates. The financial statements of foreign subsidiary companies and branch operations are translated into Singapore dollars at the exchange rates ruling at balance sheet date. All exchange differences are taken up in the profit and loss account except for translation differences on opening net investments in foreign subsidiary companies and branches regarded as foreign entities (as defined in Statement of Accounting Standard 20), and the related foreign currency borrowings designated as a hedge, which are taken directly to reserves.

2.6 Treasury Related Off-Balance Sheet Financial Instruments

Transactions in treasury related off-balance sheet financial instruments including forwards, swaps, futures and options, are valued at market prices if they are for trading purposes and the resultant profits and losses are taken up in the profit and loss account. Transactions entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item.

2.7 Basis of Valuation of Assets

2.7.1 Loans and Advances

Loans and advances are stated after deduction of provisions for possible losses. These provisions comprise specific provisions against certain loans and advances and a general provision on total loans and advances. Specific provision is based on the borrower's debt servicing ability and adequacy of security. Known bad debts are written off.

2.7.2 Debt Securities and Equities

(1) Singapore Government Securities and Treasury Bills

Singapore Government securities and treasury bills are stated at cost (adjusted for amortisation of premium or discount) less provision. Provision is made based on the shortfall between cost and market value determined on an aggregate portfolio basis.

(2) Trading Securities

Other government securities and treasury bills, equities and debt securities held for trading purposes are stated at cost (adjusted for amortisation of premium or discount) less provision. Provision is made based on the shortfall between cost and market value determined on an aggregate portfolio basis.

Prior to financial year 1998, specific provisions for debt securities and equities covered under Notes 2.7.2 (1) and 2.7.2 (2) were made based on the shortfall between cost and market value determined on an individual investment basis. The impact of the change in method of accounting is disclosed in Notes 12 and 27.

(3) Investment Securities

Investments in other equities held for investment purposes are stated at cost less provision. Provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary.

2.7.3 Provision for Diminution in Value of Other Assets and Banking Risks

Specific provisions are made against other assets and banking risks not covered by Notes 2.7.1 and 2.7.2 above so as to reduce them to their estimated realisable values. In addition, a general provision is made for other assets and banking risks.

2.8 Repurchase and Reverse Repurchase Agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collaterised lending and borrowing transactions and reflected in the relevant asset and liability categories in the balance sheet. Interest income on reverse repurchase agreements and interest expenses on repurchase agreements are accrued and brought into the profit and loss account over the respective periods of the agreements.

2.9 Recognition of Income

2.9.1 Interest Income

Interest income is recognised on an accrual basis. Interest on hire purchase and lease finance is brought into the profit and loss account by apportioning interest charges over the periods of agreements, using the sum of digits method (The Rule of 78) for fixed interest rate financing quoted on a flat basis. For Local Enterprise Finance, Regionalisation Finance and Resource Productivity Scheme loans and other hire purchase loans, interest is computed based on the annuity method.

2.9.2 Fee and Commission Income

Fee income relating to loans and guarantees is recognised over the period during which the related service is provided or credit risk is undertaken. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised.

2.9.3 Dividends

Dividends from trading equities are recognised when received. Dividends from investment equities are recognised when declared payable.

2.10 Depreciation

Fixed assets are stated at cost less accumulated depreciation. The basis of depreciation is as follows:

2.10.1 Leasehold land where the balance of the leasehold period is 100 years or less, is amortised over the remaining period of the lease. No amortisation is made on freehold land and on leasehold land where the unexpired lease period is more than 100 years.

2.10.2 Buildings, excluding plant and machinery installed therein, are depreciated on a straight-line basis over their useful lives estimated at 50 years or over the period of the respective leases, whichever is shorter.

2.10.3 Other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and machinery	5 – 15 years
Computer and office equipment	1 – 10 years
Furniture and fittings	1 – 10 years

2.11 Provision for Loan Losses

Specific provisions are made against loans and other credit exposures when recovery is doubtful or diminution in value occurs. In addition, general provisions are made based on an evaluation of loans and other credit exposures, in respect of losses, which although not specifically identifiable, are known from experience to be present in any such portfolio. The aggregate provisions that are made during the year, less amounts released, are taken to the profit and loss account.

2.12 Taxation

The taxation charged to the profit and loss account represents tax at the current rate based on taxable profits earned during the financial year. Deferred taxation in the balance sheet, computed based on the liability method, represents tax at current rates on the timing differences between accounting income and taxable income. Timing differences are principally in respect of depreciation.

3 Accounting Presentation

3.1 Changes in Accounting Presentation

Following the new disclosure requirements recommended by the Committee on Banking Disclosure and amendments to MAS Notice 608 – 'Minimum Disclosure in Financial Statements', the financial statement presentation has been amended to be in line with the recommended requirements. These changes, however, exclude equity accounting for associated companies, which will be implemented in 1999 as allowed by The Monetary Authority of Singapore.

The comparative figures have been restated accordingly to conform with the current year's presentation.

3.2 Analyses By Geographical Area

The analyses by geographical area are based on the office recording the transaction, except for special general provisions for regional exposures and additional specific provisions for The Thai Danu Bank Public Company Limited (TDB)'s loans which are booked in Singapore. The geographical areas are as follows:

– Singapore
– 'Other ASEAN', which includes Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand and Vietnam
– 'Other Asia Pacific', which includes Australia, Bangladesh, China, Cambodia, Hong Kong, India, Japan, Korea, New Zealand, Pakistan, Papau New Guinea, Russia, Sri Lanka and Taiwan
– Rest of the World

4 Interest Income

Interest income comprises interest arising from various types of lending activities and includes interest on securities.

5 Fee and Commission Income

Fee and commission income comprises commission, merchant banking fees, loan fees and all other fee-related income.

6 Dividends

Dividends from investments in shares include the following:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Dividends (gross) from subsidiary companies	**33,344**	44,854	–	–
Dividends (gross) from associated companies	**32,405**	48,846	**34,990**	53,055
Dividends (gross) from other investments	**28,285**	29,394	**32,251**	33,624
Total	**94,034**	123,094	**67,241**	86,679

7 Rental Income

Rental income represents income on the tenanted areas of the buildings owned by DBS Bank and its subsidiary companies.

8 Other Income

Other income comprises profits on exchange, profits on sale of securities and all other income not reflected under any of the aforementioned items of income.

The following have been included in this item:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Gains (less losses) on trading in foreign exchange	**78,228**	68,438	**93,568**	69,424
Gains (less losses) on sale of trading securities and derivatives trading	**4,726**	(27,768)	**(5,964)**	(32,446)
Gain (less losses) on disposal of investment securities	**1,187**	42,672	**1,118**	42,439
Gain (less losses) on disposal of fixed assets	**334**	1,388	**200**	1,225
Other income	**(1,541)**	1,770	**8,114**	11,604
Total	**82,934**	86,500	**97,036**	92,246

9 Interest Expense

Interest expense comprises interest incurred on deposits and debt securities, and borrowings from financial institutions and other sources.

10 Staff Costs

Staff costs include salaries, bonuses, contributions to the Central Provident Fund, and all other staff-related expenses.

11 Other Operating Expenses

Other operating expenses include amounts incurred in the maintenance and service of buildings owned by DBS Bank and its subsidiary companies, general administration and other expenses.

Other operating expenses include the following:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
(1) Directors' fees and remuneration	**4,970**	2,581	**11,338**	7,671
Remuneration of Bank's directors (a)	**4,808**	2,454	**4,808**	2,454
Remuneration of other directors	**–**	–	**5,768**	4,829
Fees of Bank's directors (a)	**162**	127	**211**	140
Fees of other directors	**–**	–	**551**	248
(2) Auditors' remuneration	**1,977**	916	**3,022**	1,842
Audit work	**1,186**	794	**1,776**	1,337
Non-audit work	**791**	122	**1,106**	505
Other auditors for audit work	**–**	–	**140**	–
(3) Depreciation of fixed assets (Note 34)	**69,908**	49,913	**88,018**	58,279
Bank premises and other properties	**28,260**	22,752	**31,090**	23,071
Computer and office equipment, furniture and fittings and other fixed assets	**41,648**	27,161	**56,928**	35,208
(4) Maintenance and hire of fixed assets including buildings	**30,438**	19,055	**36,983**	21,518
(5) Rental of premises	**29,885**	23,230	**38,470**	28,124
(6) Restructuring costs (b)	**60,000**	–	**73,925**	–

(a) The number of directors of DBS Bank, including those appointed and resigned/retired during the year, in each of the remuneration bands is as follows:

	1998	1997
S$500,000 and above	**3**	2
S$250,000 to S$499,999	**–**	–
Below S$250,000	**10**	8
Total	**13**	10

(b) The restructuring costs relate to the acquisition of POSBank by DBS Bank (S$60.0 million), restructuring of The Thai Danu Bank Public Company Ltd (S$11.3 million) and the acquisition of assets and technology of Koeneman Capital Management Pte Ltd by a subsidiary company (S$2.6 million).

12 Provision for Possible Loan Losses and Diminution in Value of Other Assets

The charge to the profit and loss account is analysed as follows:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Specific provision for loans (Note 29)	**702,141**	117,936	**897,087**	117,657
Specific provision for diminution in value of investments and other assets (Note 27)	**30,569**	67,384	**1,164**	80,064
Release of specific provision for diminution in value of investments during the year arising from the change in method of accounting (Note 27)	**(83,884)**	–	**(83,884)**	–
General provision for loans (Note 29)	**154,514**	365,018	**176,148**	380,871
Write-back of general provision for diminution in value of investments and other assets (Note 27)	**(909)**	(42,908)	**(909)**	(42,908)
Provision/(write-back) of provision for contingencies and other banking risks (Note 27)	**5,709**	(43,560)	**6,822**	(40,170)
Total	**808,140**	463,870	**996,428**	495,514

13 Taxation

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Taxation charge in respect of profit for the financial year:				
Current taxation	**70,379**	66,873	**80,968**	78,923
Contribution to Consolidated Fund	**15,714**	–	**15,714**	–
Deferred taxation (Note 24)	**(24,193)**	5,727	**(24,598)**	8,894
Total	**61,900**	72,600	**72,084**	87,817

The taxation charge on the profit for the year is lower than that derived by applying the statutory income tax rate of 26% (1997: 26%) to the profit before taxation because profit arising from the Asian Currency Unit offshore transactions is subject to tax at the concessionary tax rate of 10%.

Contribution to Consolidated Fund is calculated based on 20% of the net surplus of POSBank for the period from 1 July 1998 to 15 November 1998. This is in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A) (Note 32.6).

14 Non-Redeemable Convertible Preferential Dividend

The proposed non-redeemable convertible preferential dividend is based on the paid-up preference share capital at balance sheet date. Non-redeemable Convertible Preference Shares (DBS CPS) which are converted to ordinary shares subsequent to the balance sheet date and up to the date of closure of the Share Transfer Books and Register of Members will not be entitled to the preferential dividend and any excess provision will be written back in the profit and loss account in the subsequent year.

15 Non-Voting Convertible Preferential Dividend

The proposed non-voting convertible preferential dividend is based on the paid-up preference share capital at balance sheet date. Non-voting Convertible Preference Shares (DBS Non-voting CPS) which are converted to ordinary shares subsequent to the balance sheet date and up to the date of closure of the Share Transfer Books and Register of Members will not be entitled to the preferential dividend and any excess provision will be written back in the profit and loss account in the subsequent year.

16 Ordinary Dividend

The proposed ordinary dividend is based on the issued and paid-up ordinary share capital at balance sheet date. Dividends payable on ordinary shares issued pursuant to the DBS BANK SHARE OPTION SCHEME and on conversion of the DBS CPS and DBS Non-voting CPS and the subscription for additional ordinary shares by converting DBS CPS holders subsequent to balance sheet date and up to the date of closure of the Share Transfer Books and Register of Members are included in the profit and loss account when paid.

17 Earnings Per Ordinary Share

Earnings per ordinary share are based on the DBS Group's net profit attributable to members and after preference dividends of S$203,205,000 (1997: S$430,436,000) divided by the weighted average number of ordinary shares in issue of 887,062,420 shares (1997: *801,679,840 shares).

* adjusted for shares arising from the bonus and right issues in 1998.

18 Share Capital

In S$'000	1998	1997
Authorised		
2,000,000,000 ordinary shares of S$1 each (Note 18.4)	**2,000,000**	1,000,000
600,000,000 non-redeemable convertible preference shares of S$2 each	**1,200,000**	1,200,000
300,000,000 non-voting convertible preference shares of S$1 each (Note 18.4)	**300,000**	–
	1,500,000	1,200,000
Issued and paid-up		
18.1 Ordinary shares		
Balance at 1 January	**702,648**	690,607
Rights issue of shares (Note 18.5(5))	**141,626**	–
Bonus issue of shares (Note 18.5(4))	**70,811**	–
Conversion of non-redeemable convertible preference shares (DBS CPS) to ordinary shares (Note 18.5(1))	**12,962**	11,610
Additional ordinary shares subscribed by converting DBS CPS holders (Note 18.5(2))	**100**	32
Issued under the DBS BANK SHARE OPTION SCHEME (Note 18.5(3))	–	399
Balance at 31 December	**928,147**	702,648
Number of ordinary shares of S$1 each	**928,147,152**	702,647,593
18.2 Non-redeemable convertible preference shares (DBS CPS)		
Balance at 1 January	**536,167**	655,982
Conversion of DBS CPS to ordinary shares (Note 18.5(1))	**(124,102)**	(119,815)
Balance at 31 December	**412,065**	536,167
Number of non-redeemable convertible preference shares of S$2 each	**206,032,421**	268,083,642
18.3 Non-voting convertible preference shares		
Issued as consideration for the purchase of the business undertakings of POSBank (Notes 18.5(6) & 32.6)	**224,765**	–
Balance at 31 December	**224,765**	–
Number of non-voting convertible preference shares of S$1 each	**224,764,875**	–
Total Share Capital	**1,564,977**	1,238,815

18.4 During the financial year, DBS Bank increased its authorised ordinary and preference share capital from S$2,200,000,000 to S$3,500,000,000 by the creation of 1,000,000,000 ordinary shares of par value S$1.00 each and 300,000,000 non-voting convertible preference shares of par value S$1.00 each.

18.5 During the financial year, DBS Bank issued:

(1) 12,961,675 ordinary shares of par value S$1.00 each, fully paid in cash upon the conversion of DBS CPS to ordinary shares.

(2) 100,636 ordinary shares of par value S$1.00 each, fully paid in cash upon the subscription for additional ordinary shares by converting DBS CPS holders.

(3) There were no exercises of share options during the financial year. At the end of the financial year, unissued ordinary shares of par value S$1.00 each of DBS Bank under the Options were as follows :

	Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration
1994 Options	2,190,760	S$9.86	13 May 1999
1995 Options	2,512,224	S$8.95	10 May 2000
1996 Options	2,863,432	S$8.42	8 May 2001
1997 Options	3,818,672	S$7.65	5 May 2002
1998 Options	2,229,000	S$8.07	7 April 2003
	13,614,088		

(4) 70,811,271 ordinary shares of par value S$1.00 each, fully paid by way of a bonus issue of one new ordinary share for every ten existing ordinary shares held by the shareholders of DBS Bank.

(5) 141,625,977 ordinary shares of par value S$1.00 each, fully paid in cash by way of a rights issue of one new ordinary share for every five existing ordinary shares held by the shareholders of DBS Bank. The new shares were issued at a price of S$8.50 per share for holders of shares which were held by or in the beneficial ownership or control of persons whose shareholdings fell within the meaning of 'foreign shareholdings', as defined in Article 22(c)(iii) of the Articles of Association of DBS Bank and at a price of S$6.00 per share for other shareholders of DBS Bank. Both the bonus and rights shares rank pari passu in all respects with the existing issued shares of DBS Bank except that they were not entitled to the final dividend paid by DBS Bank for the financial year ended 31 December 1997.

(6) 224,764,875 new non-voting convertible preference shares (DBS Non-voting CPS) of par value S$1.00 each, at the agreed blended price for DBS Bank's Local and Foreign ordinary shares of S$7.11855 per share. These shares were issued as consideration for the purchase of the business undertakings of POSBank. The DBS Non-voting CPS are convertible into an equivalent number of new ordinary shares in the ratio of 60% DBS Local ordinary shares and 40% DBS Foreign ordinary shares. The DBS Non-voting CPS enjoy the same dividend rate paid on DBS ordinary shares except that the dividend payable is subject to a maximum rate of 30% per annum.

18.6 The DBS CPS were issued in June 1993. Pursuant to the deed poll dated 15 June 1993 which was executed by DBS Bank in connection with the issue of the DBS CPS, the conversion price of S$10.32 per ordinary share was further adjusted to S$9.03 per ordinary share on 4 April 1998 as a result of the bonus and rights issues. Particulars of the DBS CPS issue have been set out in the notes to the financial statements for the financial year ended 31 December 1993.

19 Reserves

19.1 Share Premium Account

In S$'000	DBS Bank 1998	DBS Bank 1997	DBS Group 1998	DBS Group 1997
Balance at 1 January	**1,646,051**	1,534,133	**1,646,051**	1,534,133
Rights issue of shares	**857,192**	–	**857,192**	–
Bonus issue of shares	**(70,811)**	–	**(70,811)**	–
Expenses arising from bonus issue and rights issue of shares	**(5,186)**	–	**(5,186)**	–
Conversion of DBS CPS to ordinary shares and additional ordinary shares subscribed by converting DBS CPS holders	**111,677**	108,472	**111,677**	108,472
Exercise of share options pursuant to the DBS BANK SHARE OPTION SCHEME	–	3,457	–	3,457
Expenses arising from the fourth instalment payment of DBS CPS	–	(11)	–	(11)
Non-voting convertible preference shares	**1,375,235**	–	**1,375,235**	–
Balance at 31 December	**3,914,158**	1,646,051	**3,914,158**	1,646,051

19.2 Capital Reserve

In S$'000	DBS Bank 1998	DBS Bank 1997	DBS Group 1998	DBS Group 1997
Balance at 1 January	**224,497**	266,801	**215,204**	258,663
Net exchange translation adjustments during the year	**(9,793)**	(34,603)	**(12,691)**	(35,758)
Goodwill arising from acquisitions of subsidiary companies and business undertakings	**(214,704)**	(7,701)	**(202,513)**	(7,701)
Balance at 31 December	–	224,497	–	215,204

19.3 General Reserve

In S$'000	DBS Bank 1998	DBS Bank 1997	DBS Group 1998	DBS Group 1997
Reserve Fund				
Balance at 1 January	**1,147,880**	1,047,460	**1,274,750**	1,163,497
Appropriation from profit and loss account	**59,750**	100,420	**65,984**	111,253
Balance at 31 December	**1,207,630**	1,147,880	**1,340,734**	1,274,750

Movement in General Reserve relates to the amounts transferred to the Reserve Fund to comply with the Banking Act, the Finance Companies Act, the Securities Industry Regulations, and Singapore International Monetary Exchange Limited Rule 901A under Singapore regulations, and the statutory regulations in Indonesia and Thailand.

19.4 Revenue Reserve

In S$'000	DBS Bank		DBS Group	
	1998	1997	**1998**	1997
Balance at 1 January	**2,370,745**	2,168,527	**2,822,295**	2,596,167
Net profit attributable to members	**238,988**	401,644	**222,748**	436,387
Add: Writeback of excess provision for preference dividend in previous year (Note 14)	**696**	81	**696**	81
Less: Goodwill arising from acquisitions of subsidiary companies and business undertakings	**506,530**	–	**527,399**	–
Dividend on ordinary shares paid less income tax (Note 16)	**412**	43	**412**	43
Transfer to General Reserve	**59,750**	100,420	**65,984**	111,253
	(565,996)	(100,382)	**(593,099)**	(111,215)
Amount available for distribution	**2,043,737**	2,469,789	**2,451,944**	2,921,339
Less: Interim dividend on ordinary shares paid 9% (1997:9%) less income tax	**61,630**	46,297	**61,630**	46,297
Proposed preference dividend on non-redeemable convertible preference shares 1.5% (1997:1.5%) less income tax (Note 14)	**4,574**	5,951	**4,574**	5,951
Proposed final dividend on non-voting convertible preference shares 9% less income tax (Note 15)	**14,969**	–	**14,969**	–
Proposed final dividend on ordinary shares 9% (1997:9%) less income tax (Note 16)	**61,815**	46,796	**61,815**	46,796
Balance at 31 December	**1,900,749**	2,370,745	**2,308,956**	2,822,295
Total reserves	**7,022,537**	5,389,173	**7,563,848**	5,958,300

Goodwill arising from the acquisition of subsidiary companies and business undertakings are taken to Capital and Revenue Reserves. Total goodwill taken to reserves during the year amounted to S$721,234,000 (1997: S$7,701,000) for the Bank and S$729,912,000 (1997: S$7,701,000) for the Group, respectively.

20 Subordinated Term Debts

20.1 The following is a summary of the subordinated term debts outstanding at 31 December:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
THB Floating Rate Subordinated term debt 2001 of Subsidiary (The Thai Danu Bank Public Company Limited) due after 12 months	–	–	**22,710**	–
US$ Floating Rate Subordinated term debt 2004 of Subsidiary (The Thai Danu Bank Public Company Limited) due after 12 months	–	–	**20,073**	–
US$ Floating Rate Subordinated term debt 2005 of Subsidiary (The Thai Danu Bank Public Company Limited) due after 12 months	–	–	**83,317**	–
Total	–	–	**126,100**	–

20.2 The THB500 million Floating Rate Subordinated term debt was issued on 29 January 1993 and matures on 29 January 2001. Interest is payable semi-annually at The Thai Danu Bank Public Company Limited's six month average minimum overdraft rate.

20.3 The US$17 million Floating Rate Subordinated term debt was issued on 27 December 1994 and matures on 27 December 2004. Interest is payable semi-annually at the six-month London Interbank Offered Rate plus a mark-up of 1.35% from 27 December 1994 to 27 December 2000 and at the six-month London Interbank Offered Rate plus a mark-up of 3% from 28 December 2000 to 27 December 2004.

20.4 The US$50 million Floating Rate Subordinated term debt was issued on 6 August 1995 and matures on 6 August 2005. Interest is payable semi-annually at the six-month London Interbank Offered Rate plus a mark-up of 1.25% from 6 August 1995 to 6 August 2000 and the six-month London Interbank Offered Rate plus a mark-up of 3% from 7 August 2000 to 6 August 2005.

21 Other Debt Securities in Issue

21.1 The following is a summary of the other debt securities in issue at 31 December:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
HK$ 7% Negotiable Fixed Rate Certificates of Deposits 1999				
– due within 12 months	**42,620**	–	**42,620**	–
– due after 12 months	–	43,445	–	43,445
HK$ 10.125% Negotiable Fixed Rate Certificates of Deposits 1999				
– due within 12 months	**10,655**	–	**10,655**	–
– due after 12 months	–	10,861	–	10,861
HK$ Negotiable Floating Rate Certificates of Deposits 2000 due after 12 months	**95,894**	97,750	**95,894**	97,750
HK$ 10.48% Negotiable Fixed Rate Certificates of Deposits 2000 due after 12 months	**42,619**	–	**42,619**	–
HK$ 8.60% Negotiable Fixed Rate Certificates of Deposits 2000 due after 12 months	**21,310**	–	**21,310**	–
HK$ 10.255% Negotiable Fixed Rate Certificates of Deposits 2001 due after 12 months	**21,310**	–	**21,310**	–
HK$ 10.10% Negotiable Fixed Rate Certificates of Deposits 2001 due after 12 months	**21,310**	–	**21,310**	–
HK$ 8.75% Negotiable Fixed Rate Certificates of Deposits 2001 due after 12 months	**21,310**	–	**21,310**	–
S$ Floating Rate Notes 2001 of Subsidiary (DBS China Square Ltd) due after 12 months	–	–	**72,000**	71,000
Total	**277,028**	152,056	**349,028**	223,056

21.2 The HK$200 million Negotiable Fixed Rate Certificates of Deposit were issued on 16 September 1997 and are redeemable on 19 August 1999. Interest is payable quarterly at a fixed rate of 7%.

21.3 The HK$50 million Negotiable Fixed Rate Certificates of Deposit were issued on 16 December 1997 and are redeemable on 16 December 1999. Interest is payable quarterly at a fixed rate of 10.125%.

21.4 The HK$450 million Negotiable Floating Rate Certificates of Deposit were issued on 15 August 1997 and are redeemable on 15 August 2000. Interest is payable quarterly and determined at the three-month interbank offered rate for Hong Kong dollar deposits plus 0.22%.

21.5 The HK$200 million Negotiable Fixed Rate Certificates of Deposit were issued on 5 January 1998 and are redeemable on 5 January 2000. Interest is payable quarterly at a fixed rate of 10.48%.

21.6 The HK$100 million Negotiable Fixed Rate Certificates of Deposit were issued on 6 May 1998 and are redeemable on 12 May 2000. Interest is payable quarterly at a fixed rate of 8.60%.

21.7 The HK$100 million Negotiable Fixed Rate Certificates of Deposit were issued on 5 January 1998 and are redeemable on 5 January 2001. Interest is payable quarterly at a fixed rate of 10.255%.

21.8 The HK$100 million Negotiable Fixed Rate Certificates of Deposit were issued on 5 January 1998 and are redeemable on 5 July 2001. Interest is payable quarterly at a fixed rate of 10.10%.

21.9 The HK$100 million Negotiable Fixed Rate Certificates of Deposit were issued on 6 May 1998 and are redeemable on 12 Feb 2001. Interest is payable quarterly at a fixed rate of 8.75%.

21.10 The S$100 million Floating Rate Notes by DBS China Square Ltd were issued on 15 November 1996. Of the S$100 million issued, S$20 million (1997: S$20 million) was subscribed by a related company and S$8 million (1997: S$9 million) was repurchased by DBS China Square Ltd upon the exercise of the option by the noteholders as at 31 December 1998. Interest is payable quarterly and determined at the three-month interbank offered rate for Singapore dollar deposits plus a variable margin. Unless redeemed upon the exercise of the option by the noteholders or repurchased by the issuer, DBS China Square Ltd, in accordance with the terms and conditions of the Floating Rate Notes issue, the notes are redeemable at par on 15 November 2001.

22 Deposits and Other Accounts of Non-Bank Customers

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Analysed by Currency				
Singapore dollar	**52,708,485**	20,688,805	**55,252,668**	23,274,637
US dollar	**10,750,812**	7,612,555	**11,025,487**	7,845,689
Thai Baht	**17,043**	11,182	**4,984,646**	11,968
Japanese Yen	**279,706**	389,303	**281,400**	389,930
Hong Kong dollar	**100,483**	186,817	**157,261**	187,603
Others	**2,014,647**	1,725,338	**2,156,830**	1,847,179
Total	**65,871,176**	30,614,000	**73,858,292**	33,557,006

23 Other Liabilities

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Interest payable	**570,550**	455,828	**658,271**	479,514
Accrued operating expenses	**131,085**	73,152	**162,750**	160,886
Balances arising from revaluation of financial instruments	**281,484**	7,309	**281,484**	7,309
Interest and other income received in advance	**103,372**	61,539	**103,856**	61,921
Sundry creditors	**315,292**	107,107	**544,373**	439,895
Total	**1,401,783**	704,935	**1,750,734**	1,149,525

24 Deferred Taxation

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Balance at 1 January	**29,456**	23,729	**36,264**	27,370
(Write-back)/provision during the year (Note 13)	**(24,193)**	5,727	**(24,598)**	8,894
Balance at 31 December	**5,263**	29,456	**11,666**	36,264

25 Singapore Government Securities and Treasury Bills

In S$'000	DBS Bank		DBS Group	
	1998	1997	**1998**	1997
Cost, adjusted for premium and discount	**6,703,713**	2,439,410	**6,949,915**	2,560,535
Less: Provision for diminution in value (Note 27)	–	30,082	–	31,374
Net book value	**6,703,713**	2,409,328	**6,949,915**	2,529,161
Market value	**6,780,144**	2,412,754	**7,028,075**	2,533,633

26 Trading Securities

Trading securities include cash instruments, such as government and corporate debt and equity securities acquired and held principally for the purpose of selling them in the near term with the objective of generating gains on short-term differences in price. The cost less provision and market value of these investments at 31 December is as follows:

In S$'000	DBS Bank		DBS Group	
	1998	1997	**1998**	1997
Quoted				
Non-Singapore government securities and treasury bills	**476,469**	280,629	**1,055,497**	287,337
Corporate debt securities	**873,635**	912,751	**1,074,908**	979,716
Equity shares	**632,882**	335,837	**702,403**	364,650
Total	**1,982,986**	1,529,217	**2,832,808**	1,631,703
Less: Provision for diminution in value (Note 27)	**47,328**	103,531	**99,716**	122,079
Net book value	**1,935,658**	1,425,686	**2,733,092**	1,509,624
Market value	**2,036,950**	1,652,052	**2,856,024**	1,736,038

Included in equities are quoted shares amounting to S$176.8 million (1997: Nil) designated for covered warrants issued by DBS Bank which give warrant holders the right to purchase these shares in accordance with the terms and conditions of the warrants.

27 Provision for Diminution in Value of Other Assets and Banking Risks

	DBS Bank					DBS Group				
In S$'000	Specific	General	Others	Total	Interest-in -suspense	Specific	General	Others	Total	Interest-in -suspense
1998										
Balance at 1 January	**134,855**	**36,607**	**56,520**	**227,982**	**162**	**156,765**	**36,607**	**71,355**	**264,727**	**162**
On acquisition of subsidiary companies	–	–	–	–	–	**102,064**	–	**5,904**	**107,968**	–
Utilisation/transfers during the year	**(19,058)**	**(35,496)**	**33,493**	**(21,061)**	–	**(25,607)**	**(35,496)**	**23,869**	**(37,234)**	–
Release during the year arising from the change in method of accounting (Notes 2.7.2 & 12)	**(83,884)**	–	–	**(83,884)**	–	**(83,884)**	–	–	**(83,884)**	–
Charge to profit and loss account (Note 12)	**30,569**	**(909)**	**5,709**	**35,369**	**-**	**1,164**	**(909)**	**6,822**	**7,077**	–
Interest suspended during the year	–	–	–	–	**1,790**	–	–	–	–	**1,790**
Balance at 31 December	**62,482**	**202**	**95,722**	**158,406**	**1,952**	**150,502**	**202**	**107,950**	**258,654**	**1,952**
Specific and general provisions are in respect of the following:										
Singapore Government securities and treasury bills (Note 25)	–	–		–		–	–		–	
Trading securities (Note 26)	**47,126**	**202**		**47,328**		**99,514**	**202**		**99,716**	
Investment securities (Note 30)	**13,875**	–		**13,875**		**50,988**	–		**50,988**	
Subsidiary companies (Note 32)	**1,481**	–		**1,481**		–	–		–	
Associated companies (Note 33)	–	–		–		–	–		–	
	62,482	**202**		**62,684**		**150,502**	**202**		**150,704**	
1997										
Balance at 1 January	76,602	70,353	161,787	308,742	21	85,158	70,353	174,858	330,369	21
On acquisition of subsidiary companies	–	–	–	–	–	–	–	–	–	–
Utilisation/transfers during the year	(9,131)	9,162	(61,707)	(61,676)	–	(8,457)	9,162	(63,333)	(62,628)	–
Release during the year arising from the change in method of accounting (Notes 2.7.2 &12)	–	–	–	–	–	–	–	–	–	–
Charge to profit and loss account (Note 12)	67,384	(42,908)	(43,560)	(19,084)	–	80,064	(42,908)	(40,170)	(3,014)	–
Interest suspended during the year	–	–	–	–	141	–	–	–	–	141
Balance at 31 December	134,855	36,607	56,520	227,982	162	156,765	36,607	71,355	264,727	162
Specific and general provisions are in respect of the following:										
Singapore Government securities and treasury bills (Note 25)	30,082	–		30,082		31,374	–		31,374	
Trading securities (Note 26)	84,204	19,327		103,531		102,752	19,327		122,079	
Investment securities (Note 30)	19,813	11,717		31,530		22,514	11,717		34,231	
Subsidiary companies (Note 32)	631	–		631		–	–		–	
Associated companies (Note 33)	125	5,563		5,688		125	5,563		5,688	
	134,855	36,607		171,462		156,765	36,607		193,372	

28 Loans to, and Bills Receivable from Non-Bank Customers

In S$'000	DBS Bank		DBS Group	
	1998	1997	**1998**	1997
Gross	**50,744,056**	37,781,671	**59,194,664**	41,030,777
Less : Specific provisions (Note 29)	**(841,631)**	(145,953)	**(1,907,509)**	(154,632)
General provisions (Note 29)	**(922,569)**	(655,176)	**(1,071,761)**	(741,467)
Net	**48,979,856**	36,980,542	**56,215,394**	40,134,678
Analysed into:				
Bills receivable	**1,713,894**	1,177,337	**2,056,912**	1,249,804
Loans	**47,265,962**	35,803,205	**54,158,482**	38,884,874
	48,979,856	36,980,542	**56,215,394**	40,134,678
Analysed by Industry				
Manufacturing	**4,393,300**	5,155,753	**6,078,303**	5,739,334
Building and Construction	**8,027,135**	7,484,818	**8,534,215**	7,750,367
Housing Loans	**13,254,854**	5,319,108	**14,036,187**	5,796,262
General Commerce	**2,188,225**	2,746,497	**3,334,522**	3,007,343
Transportation, Storage and Communication	**3,520,660**	3,213,991	**3,789,378**	3,402,247
Financial Institutions, Investment and Holding Companies	**6,568,021**	6,529,805	**6,926,907**	6,780,567
Professionals and Private Individuals (except Housing Loans)	**3,478,176**	3,362,590	**4,752,669**	4,339,068
Others	**7,549,485**	3,167,980	**8,763,213**	3,319,490
Total	**48,979,856**	36,980,542	**56,215,394**	40,134,678
Analysed by Currency and Fixed/Variable Rates				
Fixed rate				
Singapore dollar	**9,189,991**	8,076,888	**10,651,170**	9,912,719
US dollar	**13**	11	**69,564**	11
Thai Baht	**–**	–	**799,841**	–
Japanese Yen	**–**	–	**–**	–
Hong Kong dollar	**10,027**	9,106	**10,027**	9,106
Others	**2,825**	3,365	**23,218**	3,365
Sub-total	**9,202,856**	8,089,370	**11,553,820**	9,925,201

In S$'000	DBS Bank		DBS Group	
	1998	1997	**1998**	1997
Variable rate				
Singapore dollar	**27,225,706**	15,607,280	**28,833,256**	16,704,811
US dollar	**8,088,005**	9,200,526	**8,550,017**	9,393,201
Thai Baht	**–**	204	**2,677,730**	204
Japanese Yen	**2,044,657**	1,683,351	**2,047,793**	1,686,045
Hong Kong dollar	**1,106,479**	1,175,621	**1,106,479**	1,175,621
Others	**1,312,153**	1,224,190	**1,446,299**	1,249,595
Sub-total	**39,777,000**	28,891,172	**44,661,574**	30,209,477
Total	**48,979,856**	36,980,542	**56,215,394**	40,134,678

Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for the other loans. Variable rate loans are pegged to prime, short-term cost of funds or inter-bank rates.

Included in loans and advances of DBS Bank and DBS Group is a loan of S$1,075.0 million (1997: Nil) extended to a company which is wholly-owned by a substantial shareholder of the Bank.

29 Provision for Possible Loan Losses and Interest-In-Suspense

	DBS Bank				DBS Group			
	Specific	General	Total	Interest-in -suspense	Specific	General	Total	Interest-in -suspense
1998								
Balance at 1 January	**145,953**	**655,176**	**801,129**	**11,462**	**154,632**	**741,467**	**896,099**	**12,102**
On acquisition of business undertakings and subsidiary companies	**7,272**	**113,706**	**120,978**	**117**	**875,666**	**152,978**	**1,028,644**	**117**
Utilisation/transfers during the year	**(30,632)**	**(827)**	**(31,459)**	**(310)**	**(36,773)**	**1,168**	**(35,605)**	**(480)**
Charge to profit and loss account (Note 12)	**702,141**	**154,514**	**856,655**	**–**	**897,087**	**176,148**	**1,073,235**	**–**
Interest suspended during the year	**16,897**	**–**	**16,897**	**45,675**	**16,897**	**–**	**16,897**	**50,736**
Balance at 31 December	**841,631**	**922,569**	**1,764,200**	**56,944**	**1,907,509**	**1,071,761**	**2,979,270**	**62,475**
1997								
Balance at 1 January	100,585	290,158	390,743	7,592	110,603	360,525	471,128	8,224
On acquisition of business undertakings and subsidiary companies	–	–	–	–	–	498	498	–
Utilisation/transfers during the year	(72,921)	–	(72,921)	(11,101)	(73,981)	(427)	(74,408)	(11,293)
Charge to profit and loss account (Note 12)	117,936	365,018	482,954	–	117,657	380,871	498,528	–
Interest suspended during the year	353	–	353	14,971	353	–	353	15,171
Balance at 31 December	145,953	655,176	801,129	11,462	154,632	741,467	896,099	12,102

30 Investment Securities

In S$'000	DBS Bank 1998	DBS Bank 1997	DBS Group 1998	DBS Group 1997
Quoted equity shares	–	205,840	–	205,840
Unquoted equity shares	**202,758**	174,532	**366,547**	266,851
	202,758	380,372	**366,547**	472,691
Less: Provision for diminution in value (Note 27)	**13,875**	31,530	**50,988**	34,231
Total net book value	**188,883**	348,842	**315,559**	438,460
Market value of quoted equity shares	–	194,745	–	194,745

31 Other Assets

In S$'000	DBS Bank 1998	DBS Bank 1997	DBS Group 1998	DBS Group 1997
Accrued interest receivable[a]	**644,754**	484,472	**867,427**	532,313
Accrued income	**10,640**	15,678	**13,029**	35,384
Balances arising from revaluation of financial instruments	**17,163**	224,213	**18,594**	227,623
Deposits and prepayments	**24,246**	23,635	**25,973**	24,794
Sundry debtors	**83,903**	84,352	**340,211**	466,230
Total	**780,706**	832,350	**1,265,234**	1,286,344

[a] Accrued interest receivable is net of interest-in-suspense.

32 Subsidiary Companies

32.1 The investments in subsidiary companies at 31 December are as follows:

In S$'000	DBS Bank 1998	DBS Bank 1997
Quoted equity shares at cost	–	–
Unquoted equity shares at cost	**793,805**	611,112
	793,805	611,112
Less : Provision for diminution in value (Note 27)	**1,481**	631
	792,324	610,481
Amounts owing by subsidiary companies	**899,141**	982,861
Total	**1,691,465**	1,593,342
Market value of quoted equity shares	**266,868**	–

The market value of quoted equity shares as at 31 December 1998 refers to the shares in The Thai Danu Bank Public Company Ltd which investment cost had been written down to zero in the accounts of DBS Bank.

32.2 The subsidiary companies of DBS Bank at 31 December are as follows:

Subsidiary Companies	Country of Incorporation/Business	Principal Activities	Interest Held By				Cost of Investment held by	
			DBS Bank		Subsidiaries		DBS Bank	
			1998 %	1997 %	**1998 %**	1997 %	**1998 (S$'000)**	1997 (S$'000)
Quoted								
The Thai Danu Bank Public Company Ltd (b) (Market value : S$266,868,140)	Thailand	Commercial banking and financial services	**50.27**	–	–	–	**– (a)**	–
Unquoted								
Thai Danu-DBS Company Ltd (b)	Thailand	Custodial services	**49**	–	**25.64**	–	**668**	–
DBS Thai Danu Securities Ltd (c)	Thailand	Stockbroking and corporate finance services	–	–	**99.99**	–	–	–
DBS Bank Philippines, Inc. (c) (formerly known as Bank of Southeast Asia, Inc.)	Philippines	Commercial banking and financial services	**60**	–	–	–	**34,778**	–
DBS Savings Bank Philippines, Inc. (c)	Philippines	Savings and mortgage banking	–	–	**100**	–	–	–
DBS Forex Centre Philippines, Inc. (c)	Philippines	Dealing and brokering currencies options, futures, and forwards	**100**	–	–	–	**352**	–
PT Bank DBS Buana (c)	Indonesia	Commercial banking and financial services	**85**	85	–	–	**24,961**	31,724
NDC Merchant Bank Ltd	Singapore	Merchant banking and secondary dealership in Singapore Government securities	**100**	100	–	–	**104,849**	104,849
NDC Merchant Bank Nominees Pte Ltd	Singapore	Nominee services	–	–	**100**	100	–	–
DBS Trading Pte Ltd	Singapore	Margin trading in foreign exchange, gold and futures and trading banknotes	**100**	100	–	–	**10,000**	10,000
DBS Finance Ltd	Singapore	Finance company	**100**	100	–	–	**242,000**	127,000
DBSF Holdings Pte Ltd	Singapore	Investment holding	–	–	**100**	100	–	–
DBSF Investments Pte Ltd	Singapore	Property holding	–	–	**100**	100	–	–
DBS Finance Nominees Pte Ltd	Singapore	Trust, nominee and agency services	–	–	**100**	100	–	–
Great Pacific Finance Ltd (under voluntary liquidation)	Singapore	Finance company	–	–	**100**	100	–	–
DBS Factors Pte Ltd	Singapore	Domestic/ international factoring and trade financing	**100**	100	–	–	**5,000**	5,000
DBS Card Centre Pte Ltd	Singapore	Credit and charge card operations	**100**	100	–	–	**8,000**	8,000
DBS Securities Holding Pte Ltd	Singapore	Investment holding	**100**	100	–	–	**121,500**	121,500
DBS-Capital Trust Securities India Pvt Ltd (c)	India	Stockbroking	–	–	**75**	75	–	–
DBS Futures Hong Kong Ltd (c)	Hong Kong	Hang Seng Index Futures Options and stock futures trading	–	–	**100**	100	–	–
DBS Investment Research Pte Ltd	Singapore	Market research consultancy	–	–	**100**	100	–	–
DBS Securities Hong Kong Ltd (c)	Hong Kong	Stockbroking	–	–	**100**	100	–	–
DBS Securities Malaysia Pte Ltd	Singapore	Investment holding	–	–	**100**	100	–	–
DBS Securities Nominees Pte Ltd	Singapore	Nominee services	–	–	**100**	100	–	–

Subsidiary Companies	Country of Incorporation/Business	Principal Activities	Interest Held By				Cost of Investment held by	
			DBS Bank		Subsidiaries		DBS Bank	
			1998 %	1997 %	**1998 %**	1997 %	**1998 (S$'000)**	1997 (S$'000)
Unquoted								
DBS Securities Nominees (HK) Ltd (c)	Hong Kong	Nominee services	–	–	**100**	100	–	–
DBS Securities Philippines, Inc (c)	Philippines	Stockbroking	–	–	**100**	100	–	–
DBS Securities Singapore Pte Ltd	Singapore	Stockbroking	–	–	**100**	100	–	–
DBS Securities UK Ltd (c)	United Kingdom	Securities services	–	–	**100**	100	–	–
PT DBS Securities Indonesia (c)	Indonesia	Stockbroking and underwriting	–	–	**55**	55	–	–
DBS Asia Ltd (c)	Hong Kong	Financial services and investment holding	**100**	100	–	–	**(d)**	(d)
DBS Asia Capital Limited (c)	Hong Kong	Corporate finance and advisory services	**100**	100	–	–	**21,309**	21,721
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	**100**	100	–	–	**4,000**	4,000
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	–	–	**100**	100	–	–
Hwang-DBS Asset Management (Malaysia) Sdn Bhd (c)	Malaysia	Fund management consultancy	–	–	**51**	51	–	–
DBS Capital Investments Ltd	Singapore	Venture capital investments	**100**	100	–	–	**17,942 (e)**	17,942 (e)
DBS Computer Services Pte Ltd	Singapore	Computer services and IT consultancy	**100**	100	–	–	**– (a)**	– (a)
IBEXCo Pte Ltd	Singapore	Electronic commerce service provider	–	–	**51**	–	–	–
POSB Computer Services Pte Ltd	Singapore	Computer services and IT consultancy	**100**	–	–	–	**39,070**	–
DBS Group Holdings (Hong Kong) Ltd (c)	Bermuda	Investment holding	**100**	–	–	–	–	–
DBS Nominees Pte Ltd	Singapore	Nominee services	**100**	100	–	–	**364**	364
DBS Pte Ltd	Singapore	Investment holding	**100**	100	–	–	**69,337**	69,337
DBS China Square Ltd	Singapore	Property investment holding	**70**	70	–	–	**84,000 (f)**	84,000 (f)
DBS Trustee Ltd	Singapore	Trustee services	**20**	20	**80**	80	**150**	150
Singapore Factory Development Ltd	Singapore	Group financing	**100**	100	–	–	**5,525**	5,525
Singapore Bankers Club Pte Ltd	Singapore	Has not commenced operations	**100**	100	–	–	**– (a)**	– (a)
Credit POSB Pte Ltd (under dissolution)	Singapore	Dormant	**100**	–	–	–	**– (a)**	–
Sub-total							**793,805**	611,112
Less: Provision for diminution in value							**1,481**	631
Total							**792,324**	610,481

(a) Written down to zero.

(b) Audited by another public accounting firm.

(c) Audited by associated firms of Price Waterhouse, Singapore.

(d) Amount under S$500/-.

(e) Included cost of investment in preference shares held amounting to S$17,932,000 (1997: S$17,932,000).

(f) Included cost of investment in preference shares held amounting to S$38,500,000 (1997: S$38,500,000).

32.3 Acquisition of Subsidiary Companies

32.3.1 On 11 March 1998, DBS Bank increased its equity interest in the Thai Danu Bank Public Company Limited (TDB), a bank incorporated in Thailand to 50.27%. TDB has a 51% equity interest in Thai Danu-DBS Company Ltd (TDDBS), which is in turn 49% owned by DBS Bank. With the acquisition, the DBS Group's effective equity interest in TDDBS is 74.64%.

32.3.2 On 15 June 1998, TDB acquired a 99.99% equity interest in DBS Thai Danu Securities Ltd (DBSTDS). Subsequently, on 28 August 1998, DBS Securities Holding Pte Ltd (DBSSH), a wholly-owned subsidiary of DBS Bank, acquired from TDB, a 49% equity interest in DBSTDS. With the acquisition, the DBS Group's effective equity interest in DBSTDS is 74.63%.

32.3.3 On 19 June 1998, IBEXCo Pte Ltd (IBEXCo) was incorporated as a wholly-owned subsidiary of DBS Computer Services Pte Ltd (DCS), which is in turn wholly-owned by DBS Bank. Subsequently, IBEXCo further issued shares to support its operations. Upon subscription of part of the new shares issued, IBEXCo became a 51% owned subsidiary of DCS.

32.3.4 On 24 August 1998, DBS Forex Centre Philippines, Inc. (DBSFX) was incorporated as a wholly owned subsidiary of DBS Bank.

32.3.5 On 31 August 1998, DBS Bank acquired a 60% equity interest in DBS Bank Philippines, Inc. (DBSP) (formerly known as Bank of Southeast Asia, Inc., a bank incorporated in Philippines) and DBS Savings Bank Philippines, Inc. (a wholly-owned subsidiary of DBSP).

32.3.6 On 16 November 1998, DBS Bank acquired 100% equity interests in Credit POSB Pte Ltd (CPPL) and POSB Computer Services Pte Ltd (PCS) as a result of the acquisition of the business undertakings of The Post Office Savings Bank of Singapore.

32.3.7 On 2 December 1998, DBS Group Holdings (Hong Kong) Ltd was incorporated as a wholly-owned subsidiary of DBS Bank with the intention to make a voluntary conditional offer for the acquisition of a bank incorporated in Hong Kong (Note 44.1).

32.4 Amounts Owing By Subsidiary Companies

These amounts comprise secured loans and advances to subsidiary companies.

32.5 Fair Values of Assets and Liabilities of Subsidiary Companies Acquired

The fair values of assets and liabilities of subsidiary companies acquired during the year were as follows:

	DBS Group	
In S$'000	**1998**	1997
Fixed assets	**170,937**	459
Government, trading and investment securities	**298,770**	–
Cash and balances, placements with, and loans to banks, loans to and bills receivable from non-bank customers	**5,306,535**	130,367
Other assets	**199,112**	1,456
Deposits and balances of banks, deposits and other accounts of non-bank customers, debt securities in issue and other borrowings	**(5,759,059)**	(93,221)
Other liabilities	**(169,681)**	(1,735)
	46,614	37,326
Less: Minority interests	**23,442**	5,599
	23,172	31,727
Add: Goodwill on acquisition taken to reserves	**286,945**	7,701
Cash consideration	**310,117**	39,428
Less: Cash and balances with banks acquired	**43,648**	6,946
Net cash outflow for acquisition of subsidiary companies	**266,469**	32,482

The above tabulation excludes the fair values of assets and liabilities arising from the acquisition of the business undertakings of POSBank. The net assets arising from this acquisition amounted to S$1,164 million.

32.6 Acquisition of POSBank

During the year, DBS Bank acquired the business undertakings of POSBank for a consideration of S$1,600 million. The net assets acquired amounted to S$1,164 million. The difference between the purchase consideration of S$1,600 million (adding direct expenses relating to the transaction) and the adjusted net assets attributable to the business undertakings to be acquired represents goodwill in respect of the transaction. The goodwill of S$445.7 million has been taken directly to reserves during the year (Note 19). The completion date of the acquisition was 16 November 1998. In accordance with the sale and purchase agreement, the risks and benefits associated with the business undertakings of POSBank accrued to DBS Bank from 1 July 1998. Consequently, the results of POSBank have been included in the financial statements of the Bank and Group with effect from 1 July 1998. The effect of including the results of POSBank from 1 July 1998 to 15 November 1998 was to increase the net profit before tax of the Bank and Group by S$53 million (after netting off restructuring costs of S$60 million) (Note 11). In consideration for the acquisition, 224,764,875 new non-voting convertible preference shares of par value S$1.00 each at the agreed blended price for DBS Bank's Local and Foreign ordinary shares of S$7.11855 per share were issued (Note 18.5(6)).

33 Associated Companies

33.1 The investments in associated companies at 31 December are as follows:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Quoted equity shares at cost	**366,573**	365,903	**389,460**	388,790
Unquoted equities at cost	**9,204**	9,026	**15,374**	9,080
	375,777	374,929	**404,834**	397,870
Less: Provision for diminution in value (Note 27)	–	5,688	–	5,688
Total net book value	**375,777**	369,241	**404,834**	392,182
Market value of quoted equity shares	**824,582**	933,727	**880,056**	958,927

33.2 At 31 December, the cost and market values of the quoted equity shares in associated companies of DBS Group are as follows:

	DBS Group			
In S$'000	**1998**		1997	
	Cost	Market Value	Cost	Market Value
Held by DBS Bank				
DBS Land Ltd	**286,430**	**696,025**	286,430	738,989
General Securities Investments Ltd	**21,096**	**20,946**	21,096	33,072
Singapore Petroleum Company Ltd	**14,887**	**69,299**	14,217	113,402
The Insurance Corporation of Singapore Ltd	**44,160**	**38,312**	44,160	48,264
Sub-total	**366,573**	**824,582**	365,903	933,727
Held by Subsidiaries Companies				
Hwang – DBS (Malaysia) Bhd	**22,887**	**55,474**	22,887	25,200
Total	**389,460**	**880,056**	388,790	958,927

DBS Group will be adopting equity accounting for investments in associated companies with effect from the financial year ending 31 December 1999.

33.3 The associated companies directly held by DBS Bank and its subsidiary companies at 31 December are as follows:

Associated Companies	Country of Incorporation /Business	Principal Activities	Interest Held By DBS Group	
			1998 %	1997 %
Quoted				
Held by DBS Bank				
General Securities Investments Ltd	Singapore	Investment holding	**41.76**	41.76
DBS Land Ltd	Singapore	Investment holding	**28.33**	28.33
The Insurance Corporation of Singapore Ltd	Singapore	General and life insurance	**49.40**	49.40
Singapore Petroleum Company Ltd	Singapore	Petroleum refining, provision of administrative support service, marketing and trading of crude oil	**26.02**	25.79
Held By Subsidiary Companies				
Hwang – DBS (Malaysia) Bhd	Malaysia	Investment holding	**23.94**	24.00
Unquoted				
Held by DBS Bank				
Fujitec Singapore Corporation Ltd	Singapore	Manufactures elevators, escalators and related components	**26.00**	26.00
Investment and Capital Corporation of the Philippines	Philippines	Financial services	**20.00**	20.00
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	**30.00**	30.00
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	**28.57**	–
Singapore Polymer Corporation Pte Ltd	Singapore	Manufactures poly vinyl chloride resins and related compound	**38.73**	38.73
Spray's Shipping Pte Ltd	Singapore	Dormant	**26.00**	26.00
Thai Danu-DBS Company Ltd	Thailand	Custodial services	**#**	49.00
Transpac Capital Pte Ltd	Singapore	Investment manager for venture capital companies, investment advisory, consultancy and related services	**32.00**	32.00
Transpac Investments Ltd	Singapore	Investment holding	**32.00**	32.00
Venture Investment Management (S) Pte Ltd	Singapore	Investment management services	**24.50**	24.50
Yamaha Music (Asia) Pte Ltd	Singapore	Distributor and retailer of all kinds of musical instruments, operator and franchise of music schools	**20.00**	20.00
Held By Subsidiary Companies				
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	**40.00**	40.00
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	**30.00**	30.00
Transtech Capital Investment I Ltd (under voluntary liquidation)	Singapore	Venture capital investment	**41.54**	41.54
Shenton Realty Corporation	Philippines	Real estate holding company	**38.40**	–
Shenton Corporation	Philippines	Real estate holding company	**24.00**	–

Became a subsidiary of DBS Bank in 1998.

34 Fixed Assets

34.1 Net book values at 31 December, at cost less accumulated depreciation, and movements during the year of DBS Bank's fixed assets are as follows:

	DBS Bank				
In S$'000	Leasehold properties	Freehold properties	Total properties	Equipment, furniture and other assets	Total
Cost					
Balance at 1 January 1998	**618,703**	**33,012**	**651,715**	**238,415**	**890,130**
Additions	**9,225**	**2**	**9,227**	**29,799**	**39,026**
Disposals	**(735)**	**(3,095)**	**(3,830)**	**(20,728)**	**(24,558)**
On acquisition of business undertakings	**280,705**	**88,210**	**368,915**	**35,937**	**404,852**
Exchange differences	**(69)**	**793**	**724**	**549**	**1,273**
Balance at 31 December 1998	**907,829**	**118,922**	**1,026,751**	**283,972**	**1,310,723**
Accumulated depreciation					
Balance at 1 January 1998	**152,695**	**8,339**	**161,034**	**156,238**	**317,272**
Depreciation charge (Note 11)	**26,436**	**1,824**	**28,260**	**41,648**	**69,908**
Disposals	**(108)**	**(793)**	**(901)**	**(19,873)**	**(20,774)**
Exchange differences	**(4)**	**156**	**152**	**351**	**503**
Balance at 31 December 1998	**179,019**	**9,526**	**188,545**	**178,364**	**366,909**
Net book value at 31 December 1998	**728,810**	**109,396**	**838,206**	**105,608**	**943,814**
Market value at 31 December 1998	**1,523,770**	**118,879**	**1,642,649**	–	**1,642,649**
Cost					
Balance at 1 January 1997	608,273	33,348	641,621	222,505	864,126
Additions	9,901	–	9,901	34,125	44,026
Disposals	(78)	(1,712)	(1,790)	(18,854)	(20,644)
Exchange differences	607	1,376	1,983	639	2,622
Balance at 31 December 1997	618,703	33,012	651,715	238,415	890,130
Accumulated depreciation					
Balance at 1 January 1997	130,836	7,137	137,973	147,019	284,992
Depreciation charge (Note 11)	21,086	1,666	22,752	27,161	49,913
Disposals	(54)	(616)	(670)	(18,453)	(19,123)
Exchange differences	827	152	979	511	1,490
Balance at 31 December 1997	152,695	8,339	161,034	156,238	317,272
Net book value at 31 December 1997	466,008	24,673	490,681	82,177	572,858
Market value at 31 December 1997	1,603,313	36,329	1,639,642	–	1,639,642

34.2 Net book values at 31 December, at cost less accumulated depreciation, and movements during the year of DBS Group's fixed assets are as follows:

	DBS Group				
In S$'000	Leasehold properties	Freehold properties	Total properties	Equipment, furniture and other assets	Total
Cost					
Balance at 1 January 1998	**1,021,314**	**72,387**	**1,093,701**	**291,373**	**1,385,074**
Additions	**49,930**	**1,206**	**51,136**	**48,682**	**99,818**
Disposals	**(735)**	**(3,095)**	**(3,830)**	**(48,309)**	**(52,139)**
On acquisition of business undertakings and subsidiary companies	**290,049**	**244,159**	**534,208**	**127,246**	**661,454**
Exchange differences	**(69)**	**793**	**724**	**(537)**	**187**
Balance at 31 December 1998	**1,360,489**	**315,450**	**1,675,939**	**418,455**	**2,094,394**
Accumulated depreciation					
Balance at 1 January 1998	**152,917**	**11,074**	**163,991**	**185,773**	**349,764**
Depreciation charge (Note 11)	**26,802**	**4,288**	**31,090**	**56,928**	**88,018**
Disposals	**(108)**	**(793)**	**(901)**	**(44,691)**	**(45,592)**
On acquisition of subsidiary companies	**3,632**	**16,937**	**20,569**	**62,707**	**83,276**
Exchange differences	**(4)**	**156**	**152**	**(102)**	**50**
At 31 December 1998	**183,239**	**31,662**	**214,901**	**260,615**	**475,516**
Net book value at 31 December 1998	**1,177,250**	**283,788**	**1,461,038**	**157,840**	**1,618,878**
Market value at 31 December 1998	**1,836,473**	**353,172**	**2,189,645**	**–**	**2,189,645**
Cost					
Balance at 1 January 1997	993,625	72,723	1,066,348	266,286	1,332,634
Additions	27,160	–	27,160	47,575	74,735
Disposals	(78)	(1,712)	(1,790)	(24,720)	(26,510)
On acquisition of subsidiary companies	–	–	–	1,702	1,702
Exchange differences	607	1,376	1,983	530	2,513
Balance at 31 December 1997	1,021,314	72,387	1,093,701	291,373	1,385,074
Accumulated depreciation					
Balance at 1 January 1997	131,013	9,599	140,612	172,108	312,720
Depreciation charge (Note 11)	21,131	1,940	23,071	35,208	58,279
Disposals	(54)	(616)	(670)	(23,270)	(23,940)
On acquisition of subsidiary companies	–	–	–	1,243	1,243
Exchange differences	827	151	978	484	1,462
Balance at 31 December 1997	152,917	11,074	163,991	185,773	349,764
Net book value at 31 December 1997	868,397	61,313	929,710	105,600	1,035,310
Market value at 31 December 1997	1,990,158	104,029	2,094,187	–	2,094,187

34.3 The net book value of DBS Building Tower Two, which is an investment property held for the purpose of generating rental income, at 31 December 1998 was S$229.5 million (1997: S$237.2 million) and its market value was independently appraised at S$581.0 million (1997: S$737.5 million).

34.4 Interest capitalised for the DBS Group during the year for a property under development in relation to the land parcel 'A' at China Square amounted to S$16,997,000 (1997: S$12,068,000).

35 Contingent Liabilities

The amounts outstanding at 31 December comprise the following:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Acceptances on account of customers	**9,219**	15,406	**70,504**	23,002
Guarantees on account of customers	**4,320,075**	4,591,779	**4,701,180**	4,598,405
Endorsements and other obligations on account of customers				
Letters of credit	**2,208,455**	2,778,728	**2,256,864**	2,779,982
Others	**203,811**	149,465	**205,443**	149,465
Spot foreign exchange contracts	**1,446,768**	1,080,050	**1,450,799**	1,081,755
Other contingent items	–	13,961	–	13,961
Total	**8,188,328**	8,629,389	**8,684,790**	8,646,570

36 Commitments

The commitments which are not reflected in the balance sheet at 31 December comprise the following:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
36.1 Loans and other facilities				
Undrawn credit facilities	**34,067,641**	33,197,224	**35,453,654**	34,458,201
Undrawn note issuance and revolving underwriting facilities	**4,500**	95,500	**4,500**	95,500
Undisbursed commitments in debt securities and equities	**64,018**	118,017	**66,008**	120,001
Underwriting commitments in debt securities and equities	**3,804**	12,100	**3,804**	12,100
Sub-total	**34,139,963**	33,422,841	**35,527,966**	34,685,802
36.2 Capital Commitments				
Development of land parcel at China Square	–	–	**63,463**	95,136
Others	**6,838**	124	**8,969**	1,557
Sub-total	**6,838**	124	**72,432**	96,693
Total	**34,146,801**	33,422,965	**35,600,398**	34,782,495

37 Financial Derivatives

37.1 In the normal course of business, the DBS Group uses off-balance sheet financial instruments (derivatives) to meet the financing needs of its customers, to manage its exposure to fluctuations in market rates, and for proprietary trading. Most of the derivative transactions have been entered to hedge its interest rate positions, and proprietary trading is not a significant part of its business.

The DBS Group has established risk policies and limits, reporting lines and control procedures, to manage and control its derivative activities. Risk control functions are independent of the trading units.

37.2 The tables below analyse the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and non-trading purposes. In addition, they also set out the corresponding gross positive and negative balance sheet fair values of the trading derivative financial instruments by counterparties to reflect the underlying credit risk of these counterparties. In the financial accounts, derivative financial instruments are revalued on a net position basis and the unrealised gains or losses are reflected in 'other assets' or 'other liabilities'.

	1998				1997			
	Non Trading	**Trading**			Non Trading	Trading		
DBS Bank In S$'000	**Underlying Principal**	**Underlying Principal**	**Year-end Positive Fair Value**	**Year-end Negative Fair Value**	Underlying Principal	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
Foreign Exchange (FX) Derivatives								
FX Forwards	–	**1,929,242**	**58,461**	**18,856**	–	1,924,629	100,645	49,519
FX swaps	**17,624,486**	**6,584,049**	**194,735**	**244,715**	21,862,640	7,695,047	974,826	874,244
Currency swaps	**15,858**	**564,128**	**74,962**	**73,388**	409,495	535,660	6,075	2,515
Currency futures	**13,208**	–	–	–	4,705	–	–	–
Currency options purchased	–	**281,258**	**2,582**	**19,857**	–	18,193	758	24
Currency options written	–	**289,140**	**22,463**	**2,865**	–	20,867	88	758
Sub-total	**17,653,552**	**9,647,817**	**353,203**	**359,681**	22,276,840	10,194,396	1,082,392	927,060
Interest Rate Derivatives								
Forward rate agreements	**523,692**	–	–	–	134,040	–	–	–
Interest rate swaps	**4,314,646**	**2,305,688**	**30,160**	**30,895**	2,543,803	508,222	5,545	6,117
Interest rate caps written	**43,000**	–	–	–	42,682	–	–	–
Sub-total	**4,881,338**	**2,305,688**	**30,160**	**30,895**	2,720,525	508,222	5,545	6,117
Total	**22,534,890**	**11,953,505**	**383,363**	**390,576**	24,997,365	10,702,618	1,087,937	933,177

	1998				1997			
	Non Trading	**Trading**			Non Trading	Trading		
DBS Group In S$'000	**Underlying Principal**	**Underlying Principal**	**Year-end Positive Fair Value**	**Year-end Negative Fair Value**	Underlying Principal	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
Foreign Exchange (FX) Derivatives								
FX Forwards	**228,219**	**2,996,660**	**68,012**	**18,856**	46,525	1,924,629	100,645	49,519
FX swaps	**17,830,973**	**6,611,505**	**199,794**	**245,527**	22,619,708	7,695,047	974,826	874,244
Currency swaps	**15,858**	**564,128**	**74,962**	**73,388**	409,495	535,660	6,075	2,515
Currency futures	**13,208**	–	–	–	4,705	–	–	–
Currency options purchased	–	**281,258**	**2,582**	**19,857**	–	18,193	758	24
Currency options written	–	**289,140**	**22,463**	**2,865**	–	20,867	88	758
Sub-total	**18,088,258**	**10,742,691**	**367,813**	**360,493**	23,080,433	10,194,396	1,082,392	927,060
Interest Rate Derivatives								
Forward rate agreements	**523,692**	–	–	–	134,040	–	–	–
Interest rate swaps	**4,352,838**	**2,305,688**	**30,160**	**30,895**	2,548,340	508,222	5,545	6,117
Interest rate caps written	**43,000**	–	–	–	42,682	–	–	–
Sub-total	**4,919,530**	**2,305,688**	**30,160**	**30,895**	2,725,062	508,222	5,545	6,117
Total	**23,007,788**	**13,048,379**	**397,973**	**391,388**	25,805,495	10,702,618	1,087,937	933,177

38 Assets Pledged

The aggregate carrying amount of assets that have been mortgaged or pledged in the normal course of business to secure the liabilities of DBS Bank and of DBS Group at 31 December are as follows:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Promissory notes endorsed to third parties	**32,135**	141,488	**32,135**	141,488
Securities sold under repurchase agreements	**40,945**	33,321	**77,281**	33,321
Other assets pledged	**34,671**	35,343	**492,058**	442,888
Total	**107,751**	210,152	**601,474**	617,697

39 Exposures to Malaysia, Indonesia, Thailand, Korea and The Philippines

DBS Group has exposures in certain countries in the Asia-Pacific region which continue to experience depressed economic conditions. The valuations and recoverability of these exposures at 31 December 1998 are based on conditions prevailing and information available at the date of these financial statements.

For the purposes of this disclosure, exposures to Malaysia, Indonesia, Thailand, Korea and the Philippines are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

At 31 December 1998, the Group had assets, both cross-border and local, in Malaysia, Indonesia, Thailand, Korea and the Philippines (Regional Countries), amounting to S$9,832 million (1997: S$6,137 million).

The DBS Group's exposures to the Regional Countries at 31 December 1998 were as follows:

In S$ million	Loans and debt securities						Net exposure	
Assets In	Bank	Central Banks & Govt. Securities	Non-Bank*	Investments	Total	Less: Loans to/ Investments in Financial Subsidiaries/ Overseas Branches	Amount	As a % of Total Assets
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	**833**	**8**	**752**	**46**	**1,639**	**745**	**894**	**1.0**
Indonesia	**332**	**91**	**573**	**37**	**1,033**	**193**	**840**	**0.9**
Thailand (excluding TDB)	**362**	**10**	**674**	**42**	**1,088**	**193**	**895**	**1.0**
Korea	**331**	**40**	**540**	**4**	**915**	**215**	**700**	**0.7**
Philippines	**418**	**8**	**329**	**78**	**833**	**280**	**553**	**0.6**
Sub-total	**2,277**	**157**	**2,869**	**206**	**5,508**	**1,626**	**3,882**	**4.2**
TDB	**127**	**696**	**5,029**	**105**	**5,957**	**7**	**5,950**	**6.0**
Total	**2,404**	**853**	**7,897**	**311**	**11,465**	**1,633**	**9,832**	**9.9**

TDB-The Thai Danu Bank Public Company Limited

* Non-bank loans include loans to government and quasi-government entities

The DBS Group's exposures to the Regional Countries at 31 December 1997 were as follows:

In S$ million	Loans and debt securities						Net exposure	
Assets In	Bank	Central Banks & Govt. Securities	Non-Bank*	Investments	Total	Less: Loans to/ Investments in Financial Subsidiaries/ Overseas Branches	Amount	As a % of Total Assets
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	1,855	13	607	38	2,513	678	1,835	2.8
Indonesia	647	56	547	52	1,302	201	1,101	1.7
Thailand	1,064	8	836	40	1,948	347	1,601	2.5
Korea	416	–	879	–	1,295	165	1,130	1.7
Philippines	476	3	194	16	689	219	470	0.7
Total	4,458	80	3,063	146	7,747	1,610	6,137	9.4

* Non-bank loans include loans to government and quasi-government entities

40 Non-Performing Loans and Provisions

40.1 At 31 December 1998, the DBS Group's total non-performing loans amounted to S$7,086.0 million (1997:S$1,112.0 million). Non-performing loans are loans and debt instruments classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

DBS Group, in consultation with the Monetary Authority of Singapore, made special general provisions on the performing loans to Regional Countries over and above the normal specific and general provisions. Total regional general provisions charged to the profit and loss account for 1998 amounted to S$157.8 million (1997:S$314.2 million). Including general provisions for regional loans set aside in previous years, as well as specific provisions made, total cumulative provisions amounted to S$2,105.1 million at 31 December 1998 (1997:S$445.7 million).

Details of DBS Group's NPLs and provisions made are as follows:

	Regional Countries			Total	
In S$ million	Excluding TDB	Including TDB[a]	Singapore and Other Countries	Excluding TDB	Including TDB[a]
1998					
Non-Performing Loans (NPLs)[b]	**1,239.2**	**4,113.5**	**2,972.5**	**4,211.7**	**7,086.0**[c]
Substandard	**865.4**	**1,203.6**	**2,595.5**	**3,460.9**	**3,799.1**
Doubtful	**130.4**	**875.3**	**76.1**	**206.5**	**951.4**
Loss	**243.4**	**2,034.6**	**300.9**	**544.3**	**2,335.5**
NPLs as a % of:					
Total loans in the respective countries[b]	**22.8%**	**36.4%**	**3.9%**	**5.2%**	**8.2%**
Group total loans[b]	**1.5%**	**4.8%**	**3.4%**	**5.2%**	**8.2%**
Group total assets	**1.3%**	**4.2%**	**3.2%**	**4.5%**	**7.2%**
Total Cumulative Provisions	**939.3**	**2,105.1**	**1,042.4**	**1,981.7**	**3,147.4**
Specific provisions	**477.9**	**1,566.6**	**465.1**	**943.0**	**2,031.7**
General provisions	**461.4**	**538.5**	**577.3**	**1,038.7**	**1,115.7**
Total Cumulative Provisions as a % of:					
Total loans in the respective countries[b]	**17.3%**	**18.6%**	**1.4%**	**2.5%**	**3.6%**
Group total assets	**1.0%**	**2.1%**	**1.1%**	**2.1%**	**3.2%**
NPLs in the respective countries	**76%**	**51%**	**35%**	**47%**	**44%**
Unsecured NPLs in the respective countries	**109%**	**100%**	**111%**	**110%**	**103%**

In S$ million	Regional Countries	Singapore and Other Countries	Total
1997			
Non- Performing Loans (NPLs)[b]	365.6	746.4	1,112.0
Substandard	247.5	665.6	913.1
Doubtful	59.8	35.9	95.7
Loss	58.3	44.9	103.2
NPLs as a % of:			
Total loans in the respective countries[b]	5.4%	1.5%	1.9%
Group total loans[b]	0.6%	1.3%	1.9%
Group total assets	0.6%	1.1%	1.7%
Total Cumulative Provisions	445.7	534.4	980.1
Specific provisions	104.3	74.6	178.9
General provisions	341.4	459.8	801.2
Total Cumulative Provisions as a % of:			
Total loans in the respective countries[b]	6.6%	1.0%	1.7%
Group total assets	0.7%	0.8%	1.5%
NPLs in the respective countries	122%	72%	88%
Unsecured NPLs in the respective countries	176%	156%	165%

(a) Include special general provisions for regional exposures and additional specific provisions for The Thai Danu Bank Public Company Limited (TDB)'s loans which are booked in Singapore.

(b) NPLs and total loans include loans to banks and classified contingent facilities.

(c) S$4.0 billion were secured by collateral and S$2.1 billion were non-defaulting but graded substandard.

40.2 A breakdown of DBS Group's NPLs to the Regional Countries is as follows:

In S$ million	**1998**	1997
Malaysia	**284.5**	1.7
Indonesia	**466.8**	139.3
Thailand		
– excluding TDB	**347.8**	224.5
– TDB	**2,874.3**	N.A
Korea	**11.5**	0.1
Philippines	**128.6**	–
Total Regional NPLs	**4,113.5**	365.6

N.A - Not Applicable

41 Maturity Analysis of Lendings and Borrowings

The following tables show the breakdown by remaining period to maturity of lendings and borrowings at 31 December:

	DBS Bank					
In S$'000	Repayable on demand	Less than 1 year	Over 1 year and less than 3 years	Over 3 years and less than 5 years	Over 5 years	Total
1998						
Balances, placements with, and loans to banks	–	**18,658,090**	**400,725**	**149,500**	**51,265**	**19,259,580**
Loans to, and bills receivable from non-bank customers	**2,846,533**	**16,450,059**	**9,711,362**	**7,760,533**	**12,211,369**	**48,979,856**
Deposits and balances of banks	**(514,977)**	**(11,631,544)**	**(196)**	–	–	**(12,146,717)**
Deposits and other accounts of non-bank customers	**(40,804,344)**	**(24,861,916)**	**(204,916)**	–	–	**(65,871,176)**
Debt securities in issue	–	**(53,275)**	**(223,753)**	–	–	**(277,028)**
Other borrowings	–	**(27,166)**	**(129,109)**	**(36,515)**	**(138,465)**	**(331,255)**
Total	**(38,472,788)**	**(1,465,752)**	**9,554,113**	**7,873,518**	**12,124,169**	**(10,386,740)**
1997						
Balances, placements with, and loans to banks	–	13,847,511	451,706	338,687	29,767	14,667,671
Loans to, and bills receivable from non-bank customers	3,608,620	14,622,061	5,625,711	5,124,291	7,999,859	36,980,542
Deposits and balances of banks	(232,855)	(20,097,095)	–	–	–	(20,329,950)
Deposits and other accounts of non-bank customers	(11,963,019)	(18,381,155)	(269,826)	–	–	(30,614,000)
Debt securities in issue	–	–	(152,056)	–	–	(152,056)
Other borrowings	–	(77,545)	(44,760)	(75,598)	(1,017,229)	(1,215,132)
Total	(8,587,254)	(10,086,223)	5,610,775	5,387,380	7,012,397	(662,925)

	DBS Group					
In S$'000	Repayable on demand	Less than 1 year	Over 1 year and less than 3 years	Over 3 years and less than 5 years	Over 5 years	Total
1998						
Balances, placements with,						
and loans to banks	–	**19,972,976**	**508,423**	**194,531**	**76,017**	**20,751,947**
Loans to, and bills receivable from						
non-bank customers	**3,687,691**	**19,135,132**	**11,020,077**	**9,097,055**	**13,275,439**	**56,215,394**
Deposits and balances of banks	**(531,837)**	**(11,981,859)**	**(104,575)**	–	–	**(12,618,271)**
Deposits and other accounts of						
non-bank customers	**(40,958,484)**	**(32,634,046)**	**(265,762)**	–	–	**(73,858,292)**
Debt securities in issue	–	**(53,275)**	**(318,463)**	–	**(103,390)**	**(475,128)**
Other borrowings	–	**(153,898)**	**(280,569)**	**(59,571)**	**(154,062)**	**(648,100)**
Total	**(37,802,630)**	**(5,714,970)**	**10,559,131**	**9,232,015**	**13,094,004**	**(10,632,450)**
1997						
Balances, placements with,						
and loans to banks	–	15,310,864	566,035	369,101	46,355	16,292,355
Loans to, and bills receivable from						
non-bank customers	3,758,850	15,534,946	6,278,684	5,616,033	8,946,165	40,134,678
Deposits and balances of banks	(233,501)	(20,246,998)	–	–	–	(20,480,499)
Deposits and other accounts of						
non-bank customers	(12,002,910)	(21,269,041)	(285,055)	–	–	(33,557,006)
Debt securities in issue	–	–	(152,056)	(71,000)	–	(223,056)
Other borrowings	–	(201,818)	(157,383)	(238,557)	(1,027,454)	(1,625,212)
Total	(8,477,561)	(10,872,047)	6,250,225	5,675,577	7,965,066	541,260

42 Segment Analysis

Geographical analysis is based on the location of the bank, branch or office booking the assets or reporting the results. Analyses of the total assets, income before operating expenses and net profit attributable to members are by the following geographical areas:

– Singapore
– Other ASEAN
– Other Asia Pacific
– Rest of the World

	DBS Bank			DBS Group		
In S$'000	Total assets (b)	Income before operating expenses	Net Profit attributable to members	Total assets	Income before operating expenses	Net Profit attributable to members
1998						
Singapore (a)	**76,912**	**1,463**	**189**	**82,081**	**1,619**	**176**
Other ASEAN (a)	**971**	**21**	**(12)**	**7,103**	**123**	**(17)**
Other Asia Pacific	**5,455**	**98**	**37**	**5,512**	**115**	**39**
Rest of the World	**4,279**	**47**	**25**	**4,279**	**49**	**25**
Total	**87,617**	**1,629**	**239**	**98,975**	**1,906**	**223**
1997						
Singapore (a)	45,527	1,168	373	51,363	1,326	395
Other ASEAN (a)	1,081	19	6	1,329	33	8
Other Asia Pacific	8,239	76	22	8,309	108	32
Rest of the World	4,149	42	1	4,150	45	1
Total	58,996	1,305	402	65,151	1,512	436

(a) Singapore includes the operations of the Asian Currency Unit.
Special general provisions for regional exposures and additional specific provisions for TDB's loans are booked in Singapore. Results for 1998 include profit after tax of S$42 million (after netting off restructuring costs of S$60 million) as a result of the acquisition of POSBank.

(b) Excludes investments in, and amounts owing by, subsidiary companies.

43 Net Current Assets and Liabilities

Set out below are the net current assets and liabilities of DBS Bank and DBS Group. This disclosure has been included to comply with Ninth Schedule of the Companies Act:

	DBS Bank		DBS Group	
In S$'000	**1998**	1997	**1998**	1997
Current Assets				
Cash, and balances and placements with central banks	**8,448,667**	1,389,247	**8,720,463**	1,533,188
Singapore Government securities and treasury bills	**6,703,713**	2,409,328	**6,949,915**	2,529,161
Trading securities	**1,935,658**	1,425,686	**2,733,092**	1,509,624
Balances, placements with, and loans and advances to banks	**18,658,090**	13,847,511	**19,972,976**	15,310,864
Bills receivable from non-bank customers	**1,713,894**	1,177,337	**2,056,912**	1,249,804
Loans and advances to non-bank customers	**17,582,698**	17,053,344	**20,765,912**	18,043,992
Other assets	**780,706**	832,350	**1,265,234**	1,286,344
Total current assets	**55,823,426**	38,134,803	**62,464,504**	41,462,977
Current Liabilities				
Deposits and balances of banks	**12,146,717**	20,329,950	**12,618,271**	20,480,499
Deposits and other accounts of non-bank customers	**65,666,260**	30,344,174	**73,592,530**	33,271,951
Other debts securities in issue	**53,275**	–	**53,275**	–
Other borrowings	**27,166**	77,545	**153,898**	201,818
Bills payable	**356,805**	685,429	**366,010**	685,763
Other liabilities	**1,401,783**	704,935	**1,750,734**	1,149,525
Current taxation	**81,962**	62,439	**108,144**	94,793
Proposed dividends	**81,358**	52,747	**81,358**	52,747
Total current liabilities	**79,815,326**	52,257,219	**88,724,220**	55,937,096
Net current liabilities	**(23,991,900)**	(14,122,416)	**(26,259,716)**	(14,474,119)

44 Subsequent Events

44.1 Subsequent to the financial year end, DBS Bank has made a voluntary offer ('the offer') to acquire the entire issued share capital of Kwong On Bank Limited, a bank incorporated in Hong Kong. The offer will be made via DBS Bank's wholly-owned subsidiary DBS Group Holdings (Hong Kong) Ltd. DBS Bank has received irrevocable undertakings in respect of 65% of Kwong On Bank Limited, a bank incorporated in Hong Kong, from certain shareholders to accept the offer.

44.2 Subsequent to the financial year end, The Thai Danu Bank Public Company Limited (TDB) has proposed a capital raising exercise to raise between Baht 12 billion and Baht 17 billion consisting of a rights issue of shares, an issue of Capital Augmented Preferred Shares ('CAPS') to be placed in Thailand, and a CAPS with a convertible feature to be placed to DBS Bank. The rights issue and the two CAPS issues are subject to regulatory approvals and the approval of shareholders at the forthcoming shareholders' meeting on 8 April 1999. The increase in DBS Bank's shareholding in TDB is subject to the approval of the relevant regulatory authorities.

44.3 Subsequent to the financial year end, TDB has proposed a change in its name to DBS Thai Danu Bank Public Company Limited.

45 Comparative Figures

Certain figures have been restated to conform with the current year's presentation.

Directors' Report

The Directors herewith submit their report to the Members together with the audited financial statements of DBS Bank and of DBS Group for the financial year ended 31 December 1998 which have been prepared in accordance with the provisions of the Companies Act and Statements of Accounting Standard, with certain modifications and exceptions as have been determined by The Monetary Authority of Singapore.

Directors

The Directors in office at the date of this report are:

S. Dhanabalan	Chairman (appointed on 9 May 1998)
John T. Olds	Vice Chairman & Chief Executive Officer (appointed on 11 August 1998)
Alan Chan Heng Loon	
Bernard Chen Tien Lap	
Timothy William Faithfull	
Fock Siew Wah	(appointed on 16 June 1998)
Robert Montgomery Howe	
Tommy Koh Thong-Bee	
Lau Chan Sin	
Moses Lee Kim Poo	(appointed on 13 January 1999)
Ng Kee Choe	
Yeo Ning Hong	

In accordance with Article 95 of DBS Bank's Articles of Association, Mr Bernard Chen Tien Lap and Professor Tommy Koh Thong-Bee will retire and, being eligible, will offer themselves for re-election pursuant to Article 96.

In accordance with Article 74(b) of DBS Bank's Articles of Association, Mr S. Dhanabalan, Mr John T. Olds, Mr Fock Siew Wah and Mr Moses Lee Kim Poo will retire and, being eligible, will offer themselves for re-election.

Principal Activities

The principal activities of DBS Bank and of DBS Group consist of the business of banking and financing, the provision of mortgage financing, lease and hire purchase financing, corporate advisory services, nominee and trustee services, funds management services, stockbroking, primary dealership in Singapore Government securities, merchant banking, factoring, credit card and venture capital operations, and other financial services. There have been no significant changes in the nature of these activities during the financial year.

Acquisition or Disposal of Subsidiaries

The Thai Danu Bank Public Company Limited (TDB) and Thai Danu-DBS Company Ltd (TDDBS)

On 11 March 1998, DBS Bank increased its equity stake in TDB to 50.27%, making it a partly-owned subsidiary of DBS Bank, for a total cash consideration of Baht 5,359,997,000. Including the investment cost of Baht 363,604,840 originally held, the total investment cost in TDB amounted to Baht 5,723,601,840. The net attributable tangible assets of TDB as at the date of acquisition, after adjustment by DBS Bank to take into account additional provisions on non performing loans, were written down to zero. TDB has a 51.0% equity interest in Thai Danu-DBS Company Ltd (TDDBS), which is in turn 49.0% owned by DBS Bank. With the acquisition, the DBS Group's effective equity interest in TDDBS is 74.64%.

DBS Thai Danu Securities Limited (DBSTDS) - (formerly known as Sri Dhana DBS Securities Company Limited)

On 15 June 1998, TDB acquired a 99.99% equity stake in DBSTDS for a total consideration of Baht 252,000,000. The net attributable tangible assets of DBSTDS as at the date of acquisition were Baht 13,936,282. Subsequently, on 28 August 1998, DBS Securities Holding Pte Ltd (DBSSH), a wholly-owned subsidiary of DBS Bank, acquired from TDB, a 49.0% equity stake in DBSTDS by paying its proportionate share of the total consideration. With the acquisition, the DBS Group's effective equity stake in DBSTDS is 74.63%.

IBEXCo Pte Ltd (IBEXCo)

On 19 June 1998, IBEXCo was incorporated as a wholly-owned subsidiary of DBS Computer Services Pte Ltd (DCS), which is in turn wholly-owned by DBS Bank. The authorised capital of IBEXCo is S$5,000,000 divided into 5,000,000 shares of par value S$1.00 each. The issued and paid-up share capital of IBEXCo on incorporation was S$2.00 comprising 2 ordinary shares of par value S$1.00 each.

DBS Forex Centre Philippines, Inc. (DBSFX)

On 24 August 1998, DBSFX was incorporated as a wholly-owned subsidiary of DBS Bank. The authorised share capital of DBSFX is Peso 32,000,000 divided into 320,000 ordinary shares of par value Peso 100 each. The issued and paid-up share capital of DBSFX on incorporation was Peso 8,330,000 comprising 83,300 ordinary shares of par value Peso 100 each.

DBS Bank Philippines, Inc. (DBSP) – (formerly known as Bank of Southeast Asia, Inc.) and
DBS Savings Bank Philippines, Inc. – (formerly known as BSA Savings Bank, Inc.)

On 31 August 1998, DBS Bank acquired a 60.0% equity stake in DBSP via the purchase of 4,275,000 existing shares and the subscription of 11,963,480 new shares for a total consideration of Peso 1,192,179,230. The net attributable tangible assets of DBSP as at the date of acquisition were Peso 823,636,490.

As part of the acquisition process, the operations of the Manila Branch of DBS Bank were merged with DBSP following a transfer of its business undertaking to DBSP. DBSP also acquired the remaining 27.8% of the issued share capital of BSA Savings Bank, Inc. for a consideration of Peso 23,455,055, via the issue of 850,653 new shares, making it a wholly-owned subsidiary of DBSP. The net attributable tangible assets of BSA Savings Bank, Inc. as at the date of acquisition were Peso 64,340,850. BSA Savings Bank, Inc. has been renamed DBS Savings Bank Philippines, Inc.

POSB Computer Services Private Limited (PCS) and Credit POSB Pte Ltd (CPPL)

On 16 November 1998, DBS Bank acquired the business undertakings of The Post Office Savings Bank Of Singapore (POSB) and Credit POSB Pte Ltd, a wholly-owned subsidiary of POSB (collectively referred to as POSBank) for a consideration of S$1.6 billion. Included in the acquisition is a wholly-owned subsidiary of POSB, POSB Computer Services Private Limited (PCS). The net attributable tangible assets of POSBank and PCS as at the date of acquisition were S$1,163,985,146.

DBS Group Holdings (Hong Kong) Ltd (DBSHK)

On 2 December 1998, DBS Group Holdings (Hong Kong) Ltd was incorporated as a wholly-owned subsidiary of DBS Bank. The authorised capital is HK$100,000 divided into 1,000,000 shares of par value HK$0.10 each.

The results of the newly acquired and incorporated subsidiaries have been consolidated in the financial statements of DBS Group from the date they became subsidiaries. In the case of POSBank, all profits and losses relating to the business undertakings accruing on or after 1 July 1998 accrued to DBS Bank and were therefore consolidated in the DBS Group's Profit and Loss Account from that date onwards.

Save as aforesaid, there have been no other acquisition or disposal of subsidiaries during the financial year.

Results for the Financial Year 1998

	DBS Bank (S$'000)	DBS Group (S$'000)
Net profit before taxation	300,888	155,275
Less: Taxation	61,900	72,084
Net profit after taxation	238,988	83,191
Less: Minority interests	–	(139,557)
Net profit attributable to members	238,988	222,748
Add: Unappropriated profit brought forward	2,370,745	2,822,295
	2,609,733	3,045,043
Add: Writeback of excess provision for preferential dividend in previous year	696	696
Less: Dividend on ordinary shares paid less income tax	412	412
Goodwill arising from acquisitions of subsidiary companies and business undertakings	506,530	527,399
Transfer to General Reserve	59,750	65,984
	(565,996)	(593,099)
Amount available for distribution	2,043,737	2,451,944
Less: Interim dividend on ordinary shares of 9% less income tax	61,630	61,630
Proposed preferential dividend on non-redeemable convertible preference shares of 1.5% less income tax	4,574	4,574
Proposed final dividend on non-voting convertible preference shares of 9% less income tax	14,969	14,969
Proposed final dividend on ordinary shares of 9% less income tax	61,815	61,815
Unappropriated profit carried forward	1,900,749	2,308,956

Transfers to/(from) Other Reserves

	DBS Bank (S$'000)	DBS Group (S$'000)
Balance of Reserves at 1 January 1998	3,018,428	3,136,005
Share Premium Account		
Amount capitalised by way of bonus issue of shares	(70,811)	(70,811)
Rights issue of shares	857,192	857,192
Issue of non-voting convertible preference shares	1,375,235	1,375,235
Conversion of non-redeemable convertible preference shares (DBS CPS) to ordinary shares and additional ordinary shares subscribed by converting DBS CPS holders	111,677	111,677
Expenses arising from bonus issue and rights issue of shares	(5,186)	(5,186)
Capital Reserve		
Exchange translation adjustments	(9,793)	(12,691)
Goodwill arising from acquisitions of subsidiary companies and business undertakings	(214,704)	(202,513)
General Reserve		
Appropriation from profit and loss account	59,750	65,984
Balance of Reserves at 31 December 1998	5,121,788	5,254,892

Share and Debenture Issues

During the financial year:

(a) DBS Bank issued 12,961,675 ordinary shares of par value S$1.00 each, fully paid in cash upon the conversion of DBS CPS to ordinary shares. In accordance with the deed poll dated 15 June 1993, the conversion price for DBS CPS of S$10.32 per ordinary share was adjusted to S$9.03 per ordinary share on 4 April 1998 as a result of bonus and rights issues.

(b) DBS Bank issued 100,636 ordinary shares of par value S$1.00 each, fully paid in cash upon the subscription for additional ordinary shares by converting DBS CPS holders.

(c) DBS Bank issued 70,811,271 ordinary shares of par value S$1.00 each, fully paid by way of a bonus issue of one new ordinary share for every ten existing ordinary shares held by the shareholders of DBS Bank.

(d) Pursuant to a Prospectus dated 3 April 1998, DBS Bank issued 141,625,977 ordinary shares of par value S$1.00 each, fully paid in cash by way of a rights issue of one new ordinary share for every five existing ordinary shares held by the shareholders of DBS Bank registered on 3 April 1998. The new shares were issued at a price of S$8.50 per share for holders of shares which were held by or in the beneficial ownership or control of persons whose shareholdings fell within the meaning of 'foreign shareholdings', as defined in Article 22(c)(iii) of the Articles of Association of DBS Bank and at a price of S$6.00 per share for other shareholders of DBS Bank. The purpose of the rights issue was for business expansion.

(e) DBS Bank issued 224,764,875 new non-voting convertible preference shares of par value S$1.00 each, at the agreed blended price for DBS Bank Local and Foreign ordinary shares of S$7.11855 per share as consideration for the purchase of the business undertakings of POSBank.

The following subsidiaries issued shares as stated below:

(a) DBS Finance Ltd (DBSF)

On 2 January 1998, DBSF increased its issued and paid-up share capital by 115,000,000 ordinary shares of S$1.00 each at par, fully paid in cash to support its operations.

(b) PT Bank DBS Buana (PTBDB)

On 3 August 1998, PTBDB increased its issued and paid-up share capital by 340 ordinary shares of Rupiah 50 million each at par, through the re-capitalisation of final dividends paid for the financial year ended 31 December 1997 to support its operations.

(c) DBS Forex Centre Philippines, Inc. (DBSFX)

On 24 August 1998, DBSFX issued 83,300 ordinary shares of Peso 100 each at par, fully paid in cash on incorporation and to support its operations.

(d) IBEXCo Pte Ltd (IBEXCo)

On 19 June 1998, IBEXCo issued 2 ordinary shares of S$1.00 each at par, fully paid in cash on incorporation. On 25 September 1998, IBEXCo further issued 3,999,998 ordinary shares of S$1.00 each at par, of which 3,759,998 were allotted as fully paid in cash, while 240,000 were allotted to Lyrehc International Pte Ltd in consideration of the grant of a software license by Lyrehc International Pte Ltd to IBEXCo. Upon subscription of the 3,759,998 new ordinary shares issued, IBEXCo became a 51% owned subsidiary of DBS Computer Services Pte Ltd, which is in turn wholly-owned by DBS Bank.

(e) DBS Bank Philippines, Inc. (DBSP)

On 31 August 1998, DBSP issued 11,963,480 ordinary shares of Peso 100 each at par, fully paid in cash in relation to the acquisition of a 60.0% equity interest in DBSP by DBS Bank.

No debentures were issued during the financial year.

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year, was DBS Bank a party to any arrangement, the object of which is to enable the Directors to acquire benefits through the acquisition of shares in or debentures of DBS Bank or any other body corporate save as disclosed in this report under the headings **'Directors' Interest in Shares and Debentures'** and **'Share Options'**.

Directors' Interest in Shares and Debentures

According to the register of Directors' shareholdings kept pursuant to Section 164 of the Companies Act, the undermentioned persons were Directors of DBS Bank at the end of the financial year and their interests in shares in DBS Bank were as follows:

	Number of shares in which Directors have a direct interest		Number of shares in which Directors are deemed to have an interest	
	As at 31.12.98	As at 1.1.98 or date of appointment	As at 31.12.98	As at 1.1.98 or date of appointment
Ordinary Shares of par value S$1.00 each				
S. Dhanabalan	–	–	23,800	18,000
Ng Kee Choe	47,637	36,372	–	–
Lau Chan Sin	483	372	–	–
Timothy William Faithfull	2,000 (F)	–	–	–
Robert Montgomery Howe	15,000 (F)	–	–	–
Tommy Koh Thong-Bee	4,000	–	–	–
Non-redeemable Convertible Preference Shares of par value S$2.00 each				
S. Dhanabalan	–	–	28,000	28,000
Ng Kee Choe	40,000	40,000	–	–
Unissued Ordinary Shares of par value S$1.00 each under the Option Scheme				
Ng Kee Choe	552,480*	420,000	–	–
Lau Chan Sin	391,760*	290,000	–	–

* After adjustment as a result of bonus and rights issues by DBS Bank.

(F) DBS foreign shares

Dividends

Dividends paid or proposed since the end of DBS Bank's last financial year 1997 were as follows:

	(S$)
(a) in respect of the financial year ended 31 December 1997:	
a preferential dividend on DBS CPS of 1.5% less income tax	
as proposed in the Directors' Report for that year	5,951,457
writeback of excess provision in the 1997 financial statements arising from conversion of DBS CPS to ordinary shares	(695,722)
a second and final dividend of 9% less income tax on ordinary shares	
as proposed in the Directors' Report for that year	46,796,330
not provided for in the 1997 financial statements arising from shares issued upon the exercise of options under the Option Scheme, conversion of DBS CPS to ordinary shares and subscription for additional ordinary shares by converting DBS CPS holders	411,891
(b) in respect of the financial year ended 31 December 1998:	
an interim dividend on ordinary shares of 9% less income tax	61,629,605
a proposed preferential dividend on DBS CPS of 1.5% less income tax	4,573,920
a proposed final dividend on non-voting convertible preference shares of 9% less income tax	14,969,341
a proposed final dividend on ordinary shares of 9% less income tax	61,814,600

Bad and Doubtful Debts

Before the profit and loss account and balance sheet of DBS Bank were made out, so far as debts owing to DBS Bank are concerned, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of and provision for bad and doubtful debts and have satisfied themselves that all known bad debts have been written off and that, where necessary, adequate provision has been made for doubtful debts. In addition, as part of prudent banking practice and in consultation with the Monetary Authority of Singapore, special general provisions, over and above the normal specific and general provisions have been made for the DBS Group's exposure to the regional countries, namely, Malaysia, Indonesia, Thailand, Korea and the Philippines. These special general provisions are of a precautionary nature and will provide a buffer against a possible further deterioration in the quality of regional loans.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off or provided for bad and doubtful debts in the financial statements of DBS Bank and of DBS Group inadequate to any substantial extent.

Current Assets

Before the profit and loss account and balance sheet of DBS Bank were made out, the Directors took reasonable steps to ensure that any current assets of DBS Bank which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of DBS Bank and of DBS Group misleading.

Charges and Contingent Liabilities

At the date of this report:

(a) no charge on the assets of DBS Bank or of DBS Group has arisen since the end of the financial year which secures the liabilities of any other person, and

(b) no contingent liability of DBS Bank or of DBS Group has arisen since the end of the financial year other than those normally undertaken in the course of the activities of DBS Bank or of DBS Group.

Ability to Meet Obligations

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of DBS Bank and of DBS Group to meet their obligations as and when they fall due.

Other Circumstances Affecting the Financial Statements

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of DBS Bank and of DBS Group which would render any amounts stated in the financial statements of DBS Bank and of DBS Group misleading.

Unusual Items

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has:

(a) substantially affected the results of the operations of DBS Bank and of DBS Group during the financial year, and

(b) arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of DBS Bank and of DBS Group for the financial year in which this report is made.

Directors' Contractual Benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Companies Act save as disclosed in this report or in the financial statements of DBS Bank and of DBS Group.

Share Options

The DBS BANK SHARE OPTION SCHEME (the Option Scheme) was approved by the shareholders of DBS Bank at its Annual General Meeting held on 8 May 1990.

Particulars of the Options granted under the Option Scheme in 1994, 1995, 1996 and 1997 (herein called the '1994 Options', '1995 Options', '1996 Options' and '1997 Options' respectively) and adjustments made pursuant to the Scheme have been set out in the Directors' Reports for the years ended 31 December 1994 to 1997.

In accordance with the provisions of the Option Scheme, the number of unissued ordinary shares of par value S$1.00 each and the subscription price for each ordinary share have been adjusted with effect from 4 April 1998, as a result of bonus and rights issues by DBS Bank as follows :

	Number of unissued ordinary shares before adjustment	Number of unissued ordinary shares after adjustment	Subscription price per ordinary share before adjustment	Subscription price per ordinary share after adjustment
1994 Options	1,915,000	2,190,760	S$11.27	S$9.86
1995 Options	2,196,000	2,512,224	S$10.23	S$8.95
1996 Options	2,503,000	2,863,432	S$9.63	S$8.42
1997 Options	3,338,000	3,818,672	S$8.75	S$7.65
	9,952,000	11,385,088		

During the financial year, in consideration of the payment of S$1.00 for each option granted, options in respect of 2,229,000 unissued ordinary shares of par value of S$1.00 each in DBS Bank (1998 Options) were granted pursuant to the Option Scheme, to 133 full-time executives of DBS Bank of the rank of Vice-President (or equivalent) and above, including two options totalling 132,000 unissued ordinary shares granted to executive directors Mr Ng Kee Choe and Mr Lau Chan Sin.

Statutory and other information regarding the 1998 Options are as follows:

(a) The date of expiration of the 1998 Options is 7 April 2003 unless any such Option has lapsed by reason of Rule 4 of the Option Scheme relating to the cessation of employment of the participant or the happening of any event which results in his being deprived of the legal or beneficial ownership of such an Option, after the grant of an Option.

(b) The participant may exercise his Option, in whole or in part, after the first, but before the fifth, anniversary of the date of grant of the Option, by notice in writing to DBS Bank accompanied by a remittance for the Aggregate Subscription Cost.

(c) The Subscription Price for each share in respect of which an Option is exercisable is the average of the last dealt price for the share, as determined by reference to the daily official list published by the Stock Exchange of Singapore Ltd for the three consecutive market days preceding the date of grant.

(d) The number of shares which may be acquired by a participant, or the Subscription Price or both, are subject to adjustment in accordance with Rule 8 of the Option Scheme upon the written confirmation of the auditors of DBS Bank that such adjustment is fair and reasonable, by reason of any variation in the issued share capital of DBS Bank (whether by way of an increase, reduction, sub-division or consolidation) whilst an Option remains unexercised.

(e) The persons to whom the Options have been granted do not have the right to participate, by virtue of the Options, in any share issue of any other company.

Save as disclosed in this report under the heading **'Share and Debenture Issues'**, no shares of DBS Bank were issued during the financial year to which this report relates by virtue of the exercise of the Options to take up unissued ordinary shares of DBS Bank, whether granted before or during the financial year.

At the end of the financial year, unissued ordinary shares of par value S$1.00 each of DBS Bank under the Options were as follows:

	Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration of the Options
1994 Options	2,190,760	S$9.86	13 May 1999
1995 Options	2,512,224	S$8.95	10 May 2000
1996 Options	2,863,432	S$8.42	8 May 2001
1997 Options	3,818,672	S$7.65	5 May 2002
1998 Options	2,229,000	S$8.07	7 April 2003
	13,614,088		

Other than the DBS BANK SHARE OPTION SCHEME as disclosed herein, there were no outstanding options granted by DBS Bank.

Audit Committee

The Audit Committee ('Committee') as at the date of this report comprises non-executive directors Mr Bernard Chen Tien Lap, Mr Alan Chan Heng Loon and Professor Tommy Koh Thong-Bee, and executive director Mr Lau Chan Sin. The Committee carried out its functions in accordance with Section 201B(5) of the Companies Act which included a review of the financial statements of DBS Bank and of DBS Group for the financial year and the auditors' report thereon.

The Committee has nominated Price Waterhouse for re-appointment as auditors by shareholders for the ensuing financial year.

Auditors

Price Waterhouse have expressed their willingness to accept re-appointment.

On behalf of the Directors

S. Dhanabalan
John T. Olds
8 March 1999
Singapore

Statement by the Directors

We, S. Dhanabalan and John T. Olds, two of the Directors of The Development Bank of Singapore Ltd, state that, in the opinion of the Directors, the profit and loss account, balance sheet and the cash flow statement together with the notes thereon as set out on pages 55 to 98, are drawn up so as to give a true and fair view of the state of affairs of DBS Bank and of DBS Group, consisting of DBS Bank and its Subsidiaries, at 31 December 1998, the results of the business of DBS Bank and of DBS Group and the cash flows of DBS Group for the financial year ended on that date and there are reasonable grounds to believe that DBS Bank and DBS Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

S. Dhanabalan
John T. Olds
8 March 1999
Singapore

Report of the Auditors

To the Members of The Development Bank of Singapore Ltd (Incorporated in Singapore)

We have audited the financial statements of DBS Bank and the consolidated financial statements of DBS Group set out on pages 55 to 98, comprising the balance sheet of DBS Bank and of DBS Group as at 31 December 1998, the profit and loss account of DBS Bank and DBS Group and cash flow statement of DBS Group for the year ended 31 December 1998, and notes thereto. These financial statements are the responsibility of DBS Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard, except for the application of equity accounting for associated companies required under Statement of Accounting Standard No 27 which will be implemented in 1999 as allowed by Notice 608 issued by The Monetary Authority of Singapore, and so as to give a true and fair view of:

  (i) the state of affairs of DBS Bank and of DBS Group as at 31 December 1998 and of the results of DBS Bank and of DBS Group and the cash flows of DBS Group for the year ended on that date; and
  (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements.

(b) the accounting and other records, and the registers required by the Act to be kept by DBS Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

In view of the continuing volatile economic environment presently experienced by certain countries in the Asia Pacific region, we draw your attention to Notes 39 and 40 to the financial statements which provide further information on the extent of DBS Group's exposure to these countries and the basis upon which provisions have been made. This is not a qualification to our audit opinion.

We have considered the financial statements and auditors' reports of:

(1) the subsidiary The Thai Danu Bank Public Company Limited of which we have not acted as auditors; and
(2) all other subsidiaries which have been audited by our associated firms,

being financial statements included in the consolidated financial statements. Details of these subsidiaries are disclosed in Note 32.2 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of DBS Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification which is material in relation to the DBS Group financial statements and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

Price Waterhouse
Certified Public Accountants
8 March 1999
Singapore

Ten-Year Summary of Operations of DBS Bank

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Income (S$ millions)										
Net profit before taxation	**300.9**	474.2	753.4	682.4	585.5	510.2	382.7	370.4	334.6	306.9
Net profit after taxation	**239.0**	401.6	604.5	533.8	462.6	395.3	294.6	278.4	233.2	211.7
Selected Balance Sheet Data										
Assets (S$ millions)										
Total assets	**89,308.1**	60,589.1	51,613.0	45,301.1	41,631.7	38,079.5	35,289.5	31,241.5	30,519.0	28,764.1
Non-bank customer loans and advances including bills	**48,979.9**	36,980.5	28,463.8	23,773.6	19,917.2	16,452.2	14,254.3	11,882.3	10,532.2	7,798.2
Investment in quoted and unquoted securities and shares	**9,204.0**	4,553.1	4,977.9	4,543.1	3,828.1	3,923.7	3,947.7	3,099.9	2,460.9	1,961.8
Liabilities (S$ millions)										
Deposits and other accounts of non-bank customers	**65,871.2**	30,614.0	27,626.0	25,379.5	23,095.7	22,908.8	23,339.1	21,038.3	18,498.3	16,910.4
Total deposits	**78,017.9**	50,910.6	42,102.8	36,825.0	33,860.9	31,481.1	29,026.4	24,554.5	24,563.0	23,628.3
Borrowings and debt securities	**608.3**	1,367.2	1,180.6	1,024.5	940.6	539.3	679.8	748.1	976.2	1,036.4
Capital and Reserves (S$ millions)										
Paid-up non-redeemable, convertible preference share capital	**412.1**	536.2	656.0	604.5	461.6	251.6	–	–	–	–
Paid-up non-voting, convertible preference share capital	**224.8**	–	–	–	–	–	–	–	–	–
Issued and paid-up ordinary share capital	**928.1**	702.6	690.6	675.2	663.4	654.3	522.1	522.1	474.2	431.1
Ordinary shareholders' funds	**6,575.4**	6,091.8	5,707.5	5,039.3	4,472.8	4,001.2	3,699.4	3,478.1	2,777.7	2,598.7
Total (ordinary and preference) shareholders' funds	**8,587.5**	6,628.0	6,363.5	5,643.7	4,934.4	4,252.8	3,699.4	3,478.1	2,777.7	2,598.7
Financial Ratios										
Dividend cover for ordinary shares (number of times)	**1.78**	4.25	7.31	6.65	5.92	5.71[3]	4.93	5.02	4.45	4.52
Adjusted gross dividends per ordinary share[2] (S$)	**0.18**	0.16	0.14	0.14	0.14	0.13[3]	0.11	0.11	0.11	0.10
Adjusted earnings per ordinary share after tax[2] (S$)	**0.25**	0.49	0.75	0.68	0.61	0.52	0.39	0.38	0.34	0.30
Net tangible asset backing per ordinary share[1] (S$)	**7.08**	7.50	7.15	6.46	5.83	5.30	4.91	4.61	3.98	3.72
Return (after tax) on average total shareholders' funds (%)	**3.08**	6.18	10.08	10.08	10.07	9.92	8.21	8.90	8.67	8.56
Total shareholders' funds to Total assets	**0.10**	0.11	0.12	0.12	0.12	0.11	0.10	0.11	0.09	0.09
US$/S$ exchange rate as at 31 December	**1.65**	1.68	1.40	1.41	1.46	1.61	1.64	1.63	1.74	1.90

Notes

1 Net tangible asset backing per ordinary share has been adjusted for bonus issues in 1990, 1993 and 1998, and rights issues in 1991 and 1998.

2 Gross dividends per share and earnings per share after tax have been adjusted for bonus issues in 1990, 1993 and 1998, and rights issues in 1991 and 1998.

3 Dividends exclude the special tax-exempt bonus dividend of S5 cents per share.

Ten-Year Summary of Operations of DBS Group

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Income (S$ millions)										
Net profit before taxation	**155.3**	523.9	836.1	766.6	687.4	621.5	429.1	421.7	404.2	359.7
Net profit after taxation attributable to members	**222.7**	436.4	669.5	594.6	532.9	467.9	328.4	315.3	286.3	250.3
Selected Balance Sheet Data										
Assets (S$ millions)										
Total assets	**98,975.3**	65,151.3	55,737.6	49,186.5	45,188.6	41,607.0	38,172.6	34,046.7	33,568.5	31,589.5
Non-bank customer loans and advances including bills	**56,215.4**	40,134.7	31,012.7	26,171.8	22,055.3	18,257.4	15,752.6	13,167.8	11,812.8	8,898.0
Investment in quoted and unquoted securities and shares	**10,403.4**	4,869.4	5,276.2	4,831.4	4,097.5	4,286.0	4,282.5	3,416.0	2,785.8	2,324.4
Liabilities (S$ millions)										
Deposits and other accounts of non-bank customers	**73,858.3**	33,557.0	30,599.9	28,128.5	25,574.2	24,968.0	25,221.1	23,302.2	20,555.8	18,881.2
Total deposits	**86,476.6**	54,004.2	45,141.5	39,825.7	36,513.6	33,712.0	31,378.7	27,060.8	27,085.8	25,860.4
Borrowings and debt securities	**1,123.2**	1,848.3	1,660.7	1,288.1	1,199.6	808.4	909.1	1,023.9	1,223.9	1,199.5
Capital and Reserves (S$ millions)										
Paid-up non-redeemable, convertible preference share capital	**412.1**	536.2	656.0	604.5	461.6	251.6	–	–	–	–
Paid-up non-voting, convertible preference share capital	**224.8**	–	–	–	–	–	–	–	–	–
Issued and paid-up ordinary share capital	**928.1**	702.6	690.6	675.2	663.4	654.3	522.1	522.1	474.2	431.1
Ordinary shareholders' funds	**7,116.8**	6,660.9	6,243.1	5,510.8	4,887.8	4,348.1	3,973.5	3,713.2	2,977.1	2,746.3
Total (ordinary and preference) shareholders' funds	**9,128.8**	7,197.1	6,899.0	6,115.3	5,349.4	4,599.6	3,973.5	3,713.2	2,977.1	2,746.3
Financial Ratios										
Dividend cover for ordinary shares (number of times)	**1.65**	4.62	8.11	7.41	6.83	6.77[3]	5.50	5.69	5.47	5.34
Adjusted gross dividends per ordinary share[2] (S$)	**0.18**	0.16	0.14	0.14	0.14	0.13[3]	0.11	0.11	0.11	0.10
Adjusted earnings per ordinary share after tax[2] (S$)	**0.23**	0.54	0.84	0.76	0.69	0.62	0.44	0.43	0.41	0.36
Net tangible asset backing per ordinary share[1] (S$)	**7.67**	8.20	7.82	7.06	6.38	5.76	5.27	4.92	4.27	3.94
Return (after tax) on average total shareholders' funds (%)	**2.68**	6.19	10.30	10.36	10.71	10.89	8.54	9.43	10.01	9.55
Total shareholders' funds to Total assets	**0.09**	0.11	0.12	0.12	0.12	0.11	0.10	0.11	0.09	0.09
US$/S$ exchange rate as at 31 December	**1.65**	1.68	1.40	1.41	1.46	1.61	1.64	1.63	1.74	1.90

Notes

1 Net tangible asset backing per ordinary share has been adjusted for bonus issues in 1990, 1993 and 1998, and rights issues in 1991 and 1998.

2 Gross dividends per share and earnings per share after tax have been adjusted for bonus issues in 1990, 1993 and 1998, and rights issues in 1991 and 1998.

3 Dividends exclude the special tax-exempt bonus dividend of S5 cents per share.

Share Price and Monthly Turnover

	1998	1997	1996	1995	1994
Chart: Ordinary Shares – Local Tranche[1]					
Share Prices (S$)					
Highest	**10.20**	9.24	9.50	9.50	10.97
Lowest	**3.54**	7.30	7.47	8.03	8.73
Last done	**8.00**	8.90	7.86	8.98	9.16
Average	**6.95**	8.06	8.17	8.52	9.65
Gross dividend yield (%)[2]	**2.59**	1.93	1.69	1.62	1.43
Price-earnings ratio[2]	**30.34**	14.93	9.73	11.21	13.99
Chart: Ordinary Shares – Foreign Tranche[1]					
Share Prices (S$)					
Highest	**15.90**	18.05	18.13	15.44	16.31
Lowest	**5.00**	9.63	13.62	10.24	11.11
Last done	**14.90**	12.49	16.40	15.27	13.01
Average	**10.40**	15.01	15.29	13.46	13.30
Gross dividend yield (%)[2]	**1.73**	1.04	0.91	1.03	1.04
Price-earnings ratio[2]	**45.40**	27.80	18.20	17.71	19.28
Foreign shareholding as at 31 December (%)	**41.8**	42.5	43.2	44.2	45.0

Chart: Non-redeemable Convertible Preference Shares (DBS CPS)[3]	**CPS200**[3]	CPS200[3]	CPS200[3]	CPS150[3]	CPS100[3]
Share Prices (S$)					
Highest	**1.95**	2.04	1.87	1.60	1.21
Lowest	**0.78**	1.64	1.67	1.26	0.84
Last done	**1.73**	1.97	1.73	1.30	0.90
Average	**1.47**	1.80	1.74	1.40	1.00
Gross dividend yield (%)[2]	**2.04**	1.67	1.72	1.61	1.50

Notes

1 Share prices have been adjusted for the bonus and rights issues in 1998.

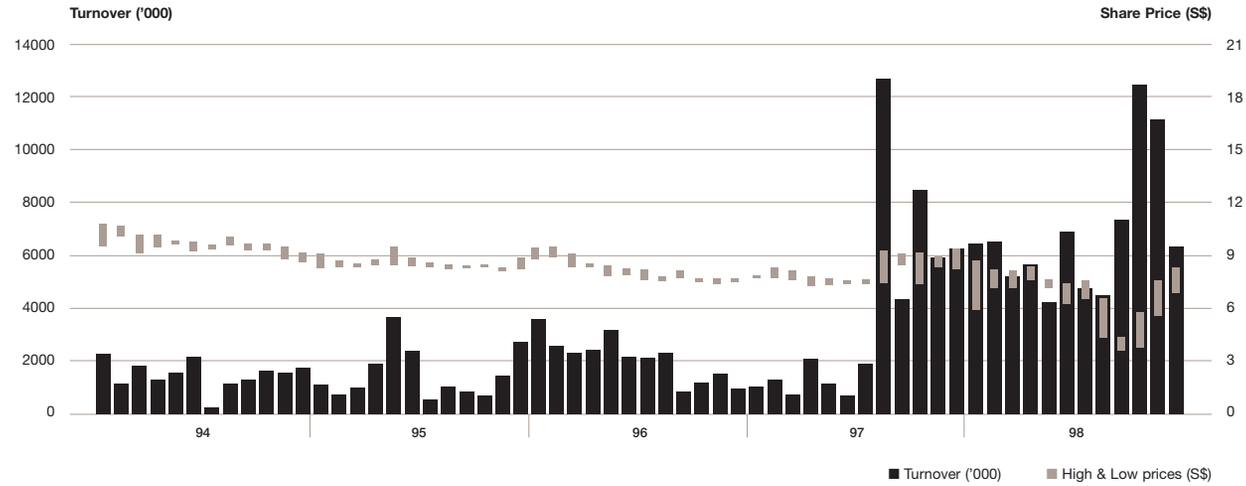
2 In calculating dividend yields and net price-earnings ratios, the daily average last done share prices have been used.

3 DBS CPS100 (par value S$1.00) were traded from 24 June 1994 through 23 June 1995.

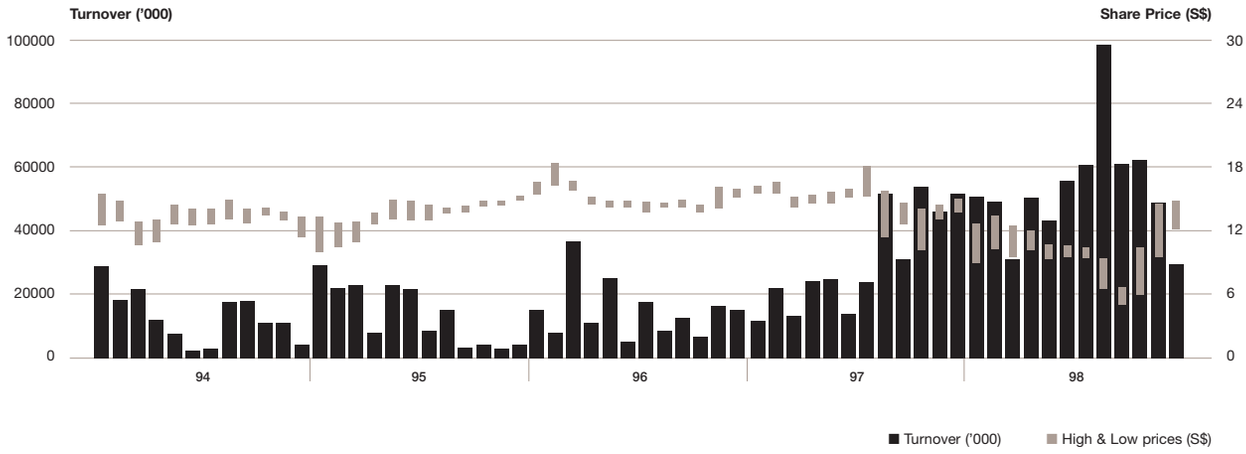
DBS CPS150 (par value S$1.50) were traded from 26 June 1995 to 21 June 1996.

DBS CPS200 (par value S$2.00) were traded from 24 June 1996.

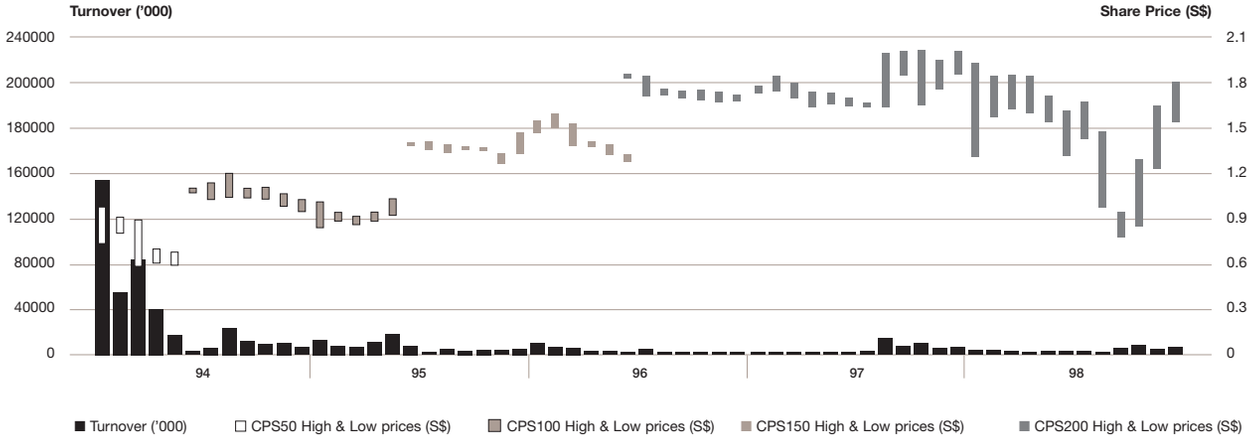
Ordinary Shares – Local Tranche[1]



Ordinary Shares – Foreign Tranche[1]



Non-redeemable Convertible Preference Shares (DBS CPS)[3]



Listing of DBS Group's Major Properties as at 31 December 1998

In S$ millions	Net Book Value	Market Value*	Approximate Lettable Floor Area (m^2)
In Singapore			
Office			
DBS Building Tower One – 6 Shenton Way	58.9	332.0	30,781.6
DBS Building Tower Two – 6 Shenton Way	229.5	581.0	46,943.4
DBS Securities Building – 22 Malacca Street	20.8	95.0	5,488.8
DBS Finance Building – 112 Robinson Road	35.7	78.0	6,108.1
POSB Centre – 73 Bras Basah Road	54.2	55.0	5,891.0
Office/retail			
DBS Tampines Centre – 12 Tampines Central 1	80.2	159.0	16,436.0
DBS Square – URA land parcel 'A' at China Square Cross Street	456.8	304.0	#
In Thailand			
Office			
The Thai Danu Bank Public Company Limited Head Office – 393 Silom Road	73.6	52.1	24,736.0
Other properties	451.3	533.5	
Total Properties	**1,461.0**	**2,189.6**	

\# Work in progress

* Valuations as at 31 December 1998 made by professional valuers

Interested Person Transactions

Interested Person Transactions Under the Shareholders' Mandate

In S$	1998 Aggregated Transactions
Transactions for the provision of Products and Services	
Temasek Holdings (Private) Limited and its Associates	3,902,100
MND Holdings Pte Ltd	–
Subtotal	3,902,100
Property-related Transactions	
Temasek Holdings (Private) Limited and its Associates	1,682,800
MND Holdings Pte Ltd	–
Subtotal	1,682,800
Total Interested Person Transactions	**5,584,900**

Note: All the above interested person transactions were done on normal commercial terms.

Shareholding Statistics as at 26 April 1999

I. Class of Shares – Ordinary Shares of S$1.00 fully paid
Voting Rights – One vote per share

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 1,000	3,375	33.42	1,563,425	0.16
1,001 – 10,000	5,564	55.10	18,372,898	1.92
10,001 – 1,000,000	1,131	11.20	42,485,024	4.45
1,000,001 & above	28	0.28	893,560,973	93.47
Total	10,098	100.00	955,982,320	100.00

Location of Shareholders

Singapore	8,981	88.94	950,612,554	99.44
Malaysia	871	8.63	3,392,991	0.35
Overseas	246	2.43	1,976,775	0.21
Total	10,098	100.00	955,982,320	100.00

Twenty Largest Shareholders (As shown in the Register of Members and Depository Register)

1	MND Holdings (Private) Limited	194,357,912	20.33
2	Temasek Holdings (Pte) Ltd	176,125,886	18.42
3	DBS Nominees (Private) Limited	162,562,578	17.00
4	Raffles Nominees (Private) Limited	118,808,725	12.43
5	Oversea-Chinese Bank Nominees Pte Ltd	51,248,700	5.36
6	HSBC (Singapore) Nominees Pte Ltd	43,925,129	4.60
7	Citibank Nominees Singapore Pte Ltd	34,704,587	3.63
8	United Overseas Bank Nominees Pte Ltd	28,494,783	2.98
9	DB Nominees (Singapore) Pte Ltd	14,229,118	1.49
10	Vickers Ballas & Co Pte Ltd	7,532,741	0.79
11	Merrill Lynch (Singapore) Pte Ltd	7,321,000	0.77
12	NTUC Income Insurance Co-operative Limited	6,598,535	0.69
13	Indosuez Singapore Nominees Pte Ltd	6,426,944	0.67
14	Prudential Assurance Company Singapore (Pte) Ltd – Life Fund	5,008,997	0.52
15	Tokyo-Mitsubishi International (Singapore) Limited	4,585,347	0.48
16	Prudential Assurance Company Singapore (Pte) Ltd – PruLink Fund	4,319,375	0.45
17	Warburg Dillon Read and Associate (S) Pte Ltd	4,304,599	0.45
18	Keppel Bank Nominees Pte Ltd	3,998,260	0.42
19	J M Sassoon and Company (Private) Limited	3,357,634	0.35
20	Overseas Union Bank Nominees Pte Ltd	2,837,075	0.30
	Total	880,747,925	92.13

II. Class of Shares – Non-Redeemable Convertible Preference Shares of S$2.00 par value fully paid up
Voting Rights – Please see Article 5A of the Articles of Association

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 1,000	3,270	32.42	3,255,147	3.31
1,001 – 10,000	5,644	55.96	26,635,491	27.13
10,001 – 1,000,000	1,164	11.54	50,600,800	51.53
1,000,001 & above	8	0.08	17,700,155	18.03
Total	10,086	100.00	98,191,593	100.00

Twenty Largest Shareholders (As shown in the Depository Register)

1	Eng Hueng Fook Henry	4,560,000	4.64
2	Phillip Securities Pte Ltd	3,039,330	3.10
3	Kim Leng Tee Investments Pte Ltd	2,016,000	2.05
4	Citibank Nominees Singapore Pte Ltd	2,003,000	2.04
5	The Asia Life Assurance Society Ltd – S'pore Life Fund	1,950,000	1.99
6	DBS Nominees Pte Ltd	1,696,825	1.73
7	The Asia Life Assurance Company Ltd – Fund Account	1,300,000	1.32
8	Supasave (Private) Limited	1,135,000	1.16
9	Leyehun Pte Ltd	915,000	0.93
10	Cheok Soo Yew	888,000	0.90
11	HSBC Investment Bank PLC	880,000	0.90
12	The Asia Life Assurance Society Ltd – Shareholders Fund	800,000	0.82
13	United Overseas Bank Nominees Pte Ltd	682,000	0.69
14	Oversea-Chinese Bank Nominees Pte Ltd	669,320	0.68
15	The Overseas Assurance Corp Ltd – Singapore Life Insurance Fund	592,000	0.60
16	Ventrade (Asia) Pte Ltd	580,500	0.59
17	Vickers Ballas & Co Pte Ltd	580,000	0.59
18	Asia General Holdings Limited	500,000	0.51
19	Delgro Investments Pte Ltd	500,000	0.51
20	Lee Seng Wee	500,000	0.51
	Total	25,786,975	26.26

III. Class of Shares – Non-Voting Redeemable Convertible Preference Shares ("NVPS") of S$1.00 fully paid.
Voting Rights – Please see Article 5B of the Articles of Association.
Sole Shareholder of 224,764,875 NVPS: DBS Nominees (Private) Limited.

IV. Substantial Ordinary Shareholders (as shown in the Register of Substantial Shareholders as at 26 April 1999)

	No. of Shares	%
MND Holdings (Private) Ltd 1	194,357,912	20.33
Temasek Holdings (Pte) Ltd 2	176,125,886	18.42

Directors' Shareholdings (as shown in the Register of Directors' Shareholdings as at 21 January 1999)

Name of Director	No. of DBS Bank Ordinary Shares of S$1.00 each registered in the name of Director	No. of DBS Bank Ordinary Shares of S$1.00 each in which Director is deemed to have an interest	No. of Unissued DBS Bank Ordinary Shares of S$1.00 each under the DBS Bank Share Option Scheme
S. Dhanabalan	–	23,800	–
Ng Kee Choe	47,637	–	114,400 (1994 Options)
			114,400 (1995 Options)
			114,400 (1996 Options)
			137,280 (1997 Options)
			72,000 (1998 Options)
Lau Chan Sin	483	–	91,520 (1994 Options)
			91,520 (1995 Options)
			34,320 (1996 Options)
			114,400 (1997 Options)
			60,000 (1998 Options)
Timothy William Faithfull (stepped down on 23 April 1999)	2,000 (F)	–	–
Robert Montgomery Howe	20,000 (F)	–	–
Tommy Koh Thong-Bee	4,000	–	–

Name of Director	No. of DBS Bank NCPS of S$2.00 par value each registered in the name of Director	No. of DBS Bank NCPS of S$2.00 par value each in which Director is deemed to have an interest
S. Dhanabalan	–	28,000
Ng Kee Choe	40,000	–

1 MND Holdings (Private) Ltd is a company wholly-owned by Minister for Finance Incorporated.

2 Temasek Holdings (Pte) Ltd is a company wholly-owned by Minister for Finance Incorporated.

(F) DBS Bank foreign shares

Glossary

Asian Currency Unit	An accounting entity for offshore transactions; profits arising from such transactions are generally subject to Singapore income tax at a concessionary rate of ten percent.
Currency swap	An agreement involving the exchange of the principal amount and periodic interest payments denominated in one currency, for the principal and interest payments denominated in a different currency.
Derivative	A contract whose value is derived from the value of other underlying financial contract(s).
Floating Rate Note (FRN)	A debt security where the issuer pays the holders interest payments pegged to a periodically-reset interest rate and repays the principal at maturity. Certain FRNs may have amortised repayment of principal and/or embedded options.
Foreign exchange spot/ forward contract	An agreement to exchange one currency for another at an agreed exchange rate and settlement date, which is usually two business days after the trade date for spot contracts, longer for forward contracts.
Foreign exchange swap	An agreement to exchange one currency for another on the spot date, and to reverse this exchange at a date after the spot date at agreed exchange rates for each part of the contract.
Forward rate agreement	A contract in which payments are made based on the difference between a particular interest rate at some point in the future and the reference rate set in the contract.
Futures contract	A standardised exchange-traded derivative contract to buy or sell a specific financial instrument or commodity at a specific future date and price.
Hedging	Undertaking transactions or contractual agreements to reduce the risk of loss from one or more types of financial risk.
Initial public offering	A corporation's first offering of stock to the public.
Interest rate cap	A derivative which pays the buyer an amount based on the extent to which a particular interest rate at fixed times in the future is higher than the reference rate fixed in the cap.
Interest rate swap	A derivative contract involving the exchange of periodic interest payments over a specified tenor.
Negotiable Certificate of Deposit	A tradeable security paying either a fixed or floating rate of interest issued by a bank.

Option	An agreement that provides the buyer the right, but not the obligation, to buy (call) or sell (put) a security at a fixed strike price on or before a specified date. The buyer pays a non-refundable premium to the seller (the writer).
Positive (negative) fair value	Situation where the value of the existing contracts under prevailing market prices is positive (negative).
Securities purchased under agreements to resell (Reverse repurchase agreements)	An agreement where the first party agrees to purchase securities and resell them to the second party at a later date and at a fixed (usually higher) price; this is equivalent to a collaterised lending by the first party to the second party.
Securities sold under agreements to repurchase (Repurchase agreements)	An agreement where the first party agrees to sell securities and repurchase them from the second party at a later date and at a fixed (usually higher) price; this is equivalent to a borrowing by the first party from the second party with the securities pledged as collateral.
Stress test	Simulating portfolio value(s) under one or more user-defined adverse scenarios.
Year 2000 initiative	The endeavour to fix the Year 2000 problem, which is the inability of older computer systems that record the year as a two-digit number to properly recognise dates beyond 31 December 1999.

Corporate Directory as at 30 April 1999

Corporate Office

Chairman
S. Dhanabalan

Vice Chairman & CEO
John T. Olds

President
Ng Kee Choe

Audit

Managing Director
Ng Peng Khian *Head*

Vice Presidents
Ang Khee Huat
Chia Siok Wee Nelly
Ho Tin Hon
Lim Ai Lang Daisy
Loke Poh Kuen Sandy
Tan Ham Chiang

Banking

Senior Managing Director
Tan Soo Nan

Enterprise Banking

Managing Directors
Hong Tuck Kun *Head*
Chua Thiam Chwee Andrew
Pang Chee Seng

Vice Presidents
Hong Keah Huat
Peggy Quah
Tan Boon Siang

Individual Banking

Managing Directors
Elsie Foh *Head*
Lam Siok Loon
Manohar P Sabnani
Ng Tee Geok
Tan Tok Lan

Vice Presidents
Ang Shiow Luan Rosalind
Chia Beei Lian Joanne
Chia Hock Jin
Chong Choon Cheong Andrew
Chua Whee Gek
Ee Ho Inn
Eio Siok Kim Janet
Ho Hai Yian
Ho Hock Choo Joseph
Ho Kum Koon
Hom Nancy Ann
Hung Mow Seng Thomas
Koh Pee Keat
Lau Jeng Seng David
Lee Kheng Cheong
Lee Soo Khiong Eric
Leong Mun Kong Peter
Leow Boon Sim
Lim Beng Kuan
Lim Chye Huat Albert
Lim Fu-Yen Adrian
Lim King Seng
Lim Wei Tong Philip
Lor Chee Leng Michael
Ng Yuen Mun
Ong Hong Seng
Pang Saw Choo Jan
Poh Lai Meng
Tan Chiew Song
Tan Kim Chia Andrew
Tan Ser Kwang Sherman
Tan Siew Cheng Caroline
Tan Yeow Khuan
Tay Hock Guan
Tho Gea Hong
Tyo Sock Kuen Monica
Wan Mei Ling
Wong Teck Khim
Yap Yoke Leng Rachel

Institutional Banking

Managing Directors
Chong Kie Cheong *Head*
Cheo Chai Hong
Gan Kim Kok
Hon Tai Yuen William
Bastari Irwan
Koh Cheng Chua
Lee Meng Soon
Lim Kim Quee
Lim Lay Hong
Lim Sok Hia
Lim Yin Kiat
Long Wil Kim
Mohd Nawaz Jiffry Vilcassim
Neo Poh Kiat
Seow Kheng Hee
Joan Ting-Wong
Wong See Meng

Vice Presidents
Boey Yin Chong
Chan Yoke Meng
Chang Lok Meng
Chen Ko Lin Colin
Cheong Siong Kee
Chia Siak Leng Henry
Chia Tet Hin William
Chia Wen Lin
Choo Hoon Kiong Desmond
Choong Yang Ping
De Silva Lionel Matthew
Gan Soo Yee Monica
Goh Bak Keow
Karunia Tjuradi
Koh Wai Lan Audrey
Lam Kwong Chew
Lee Kiang Wah Stephen
Lim May Ling Vivian
Lim Tok Kiak
Lim Yee Chye
Long Yuin Lee
Loong Wai Leng
Low Bee Hong
Ng Sock Kian
Oh Eng Lock
Ong Chee Kien Charles
Ong Hean Beng
Ong Yeng Fang
Ong Yim Lye
Pham Khac Phu
Soh Soon Ghee
Tan Boon Lian Amos
Tan Chye Huat Michael
Tan Kok Wah
Tan Jeh Wuan
Tan Yeng Fang
Tan Yew Siang
Tsng Boon Kiat
Wee Wun Hua
Wong Kong Khiong Adam

Private Client Group

Managing Directors

Seck Wai Kwong *Head*
Sandy Eu
Lee Soon Kuan
Tan Bee Leng

Vice Presidents

Cheong Heng Lim
Chua Bee Tin
Koh Lye Meng
Lee Lee Seng
Lo Chin Chai Daniel
Seow Joo Khoon
Yeo Poh Chin Suzana

Capital Markets & Advisory

Managing Directors

Ang Teik Lim Eric *Head*
Kan Shik Lum
Greg Seow Fook Hin

Vice Presidents

Aw Soon Beng
Chan Mun Seng
Chan Yow Phong
Choo Chee Kong
Goh Lee Ying Lynn
Lim Kim Seng
Mahesh Pranlal Rupawalla
Tan Kok Huan
Tan Wan That
Tay Gek Lim Irene
Toh Tiong San

Integration & Administration

Senior Managing Director

Lau Chan Sin

Vice Presidents

Lam Kwong Khiam
Yeo Seh Boo

Human Resources

Managing Director

Tong Chi Lian *Head*

Vice Presidents

Hing Mei Kune
Lee Hong Kit
Seah Ee Boon
Tan Sio Hwee Lucy

Integration

Managing Directors

Choo Chek Siew *Head*
Goh Lin Ai Janice
S Vijayakumar

Logistics

Senior Managing Director

Soh Kim Soon

Finance & Planning

Managing Directors

Ong Siew Mooi *Head*
Ho Siew Mee Susan

Vice Presidents

Chua Sui Kheng
Chuah Soo Kiang
Goh Poh Gek
Heng Lee Cheng
Heng Lily
Ong Siang Hor

Information Technology

Managing Directors

Yee Jee Hong *Head*
Lee Whye Choo
Ho Fong Lian
Ho Twee Teng
Poh Lian Lian

Vice Presidents

Chen Lai Kiun
Goh Kiat Soon
Ong Chiu Fong
Jayaprakash s/o Viswambharan

Senior Advisory Operations Analyst

Chua Chee Hwee

Senior Advisory Systems Engineers

Lai Siew Chung Warren
Ng Shwu Yin

Senior Advisory Systems Analysts

Chan Peter
Chin Kok Soon
Chua Sau Fong
Ho Boon Hwa
Ho Shew Ee Janice
Ho Shou Kwang
Kang King Tong
Lee Syn Yee
Lee Yuh Mei
Lui Suh Kien Rose
Ooi Peng Joo Jason
Phua Tan Hong
Tan Hui Kheng
Tan Lye Soon
Tan Yee Lay
Teo Pit Koon
Thong Wai Chong

Processing/Servicing

Managing Directors

Dileep Nair *Head*
Chua Bee Choo

Vice Presidents

Khoo Kim How
Ngew Seng Poh
Tan Chee Keon

Risk Management

Managing Directors

Oon Kum Loon *Head*
Chng Sok Hui

Vice Presidents

Chan Chai Hong Janet
Philip Fernandez
Lee Koek Yong
Ng Siew Lien

Treasury & Markets

Managing Directors

Wong Kwong Shing Frank *Head*
Tan Siew Kheng
Wong Peck Sim

Vice Presidents

V Arivazhagan
Goh Nai Min Bernard
Ho Tiong Sang
Lee Boon Hua Donne
Ooi Cheng Pheng Rina
See Sau Lin Flora
Soh Chuen Kong Peter
Wu Wun-Yuen Friedrich
Yap Yon Ting
Yip Kwok Heng

Locations in Singapore (Branches)

DBS Bank

Ang Mo Kio
Balestier
Battery Road
Bedok
Bishan
Bukit Batok
Bukit Timah
Buona Vista
Choa Chu Kang
Clementi
Crawford
Eunos Station
Gleneagles
Great World City
Holland Village
Hougang
IMM
Jurong
Jurong West
Katong
Kent Ridge
Liat Towers
Novena
Parkway Parade
Plaza Singapura
Queensway
Raffles City
Raffles Place
Rochor
Serangoon Garden
SGH
Shenton Way
South Bridge
Suntec City
Tampines Centre
Tanjong Pagar
Thomson
Tiong Bahru Station
Toa Payoh
Toa Payoh (Sub-Branch)
Towner Road
Woodlands
World Trade Centre
Yishun

POSBank Services Division

Alexandra Village
Ang Mo Kio Central/Auto Br
Ang Mo Kio East
Ang Mo Kio North
Ang Mo Kio West
Balestier Point/Auto Br
Bedok Central
Bedok North
Bedok South
Bishan Central
Bishan North
Boon Lay
Bukit Batok Central
Bukit Batok East
Bukit Batok North
Bukit Batok West
Bukit Ho Swee
Bukit Merah Central
Bukit Panjang
Bukit Timah Plaza
Centrepoint
Chai Chee
Changi Airport
Chinatown/Auto Br
Chin Swee Auto Br
Chun Tin Court
Clementi Central
Clementi East
Coronation Plaza
Eastpoint/Auto Br
Far East Plaza
Funan/Auto Br
Geylang East
Ghim Moh
Goldhill Centre
Great World City/Auto Br
Haig Road
Henderson Road
Hillview
Hougang Ave 3
Hougang
Hougang Central
Hougang North
Hougang South
Jalan Besar
Jalan Eunos
Jalan Kayu
Jalan Sultan
Joo Chiat
Jurong
Jurong East
Jurong East Central/Auto Br
Jurong Point
Jurong West
Kaki Bukit
Kallang Bahru
Kampong Ubi
Macpherson
Main Branch/Auto Br
Marina Square Auto Br
Marine Parade
Marsiling
Mountbatten
Nanyang Estate
Nanyang Polytechnic
Newton (Drive In)
Ngee Ann City
NOL Building
North Bridge Road/Auto Br
NUS
Orchard Towers Auto Br
Parklane
Parkway Parade
Pasir Ris East
Pasir Ris West
Pearl's Centre/Auto Br
Peninsula Plaza Auto Br
Potong Pasir
Pidemco Centre/Auto Br
Queenstown
Raffles City/Auto Br
Raffles Place/Auto Br
Raffles Quay/Auto Br
Redhill
Robinson Road
Rochor
Serangoon Central
Serangoon Garden
Serangoon North
Siglap
Simpang Bedok
Sims Avenue
Singapore General Hospital
Stirling Road
Suntec City/Auto Br
Taman Warna/Auto Br
Tampines Central
Tampines East
Tampines South
Tampines West
Tanglin
Tanjong Pagar
Teban Gardens
Teck Whye
Telok Blangah East
Telok Blangah West
Thomson Plaza
Thomson Road
Tiong Bahru
Toa Payoh Central
Toa Payoh East
Toa Payoh North
Towner Road
Upper Aljunied
Upper Cross Street
Upper Serangoon Road
Upper Thomson Road
West Coast
Woodlands
Woodlands West
World Trade Centre
Yew Tee
Yishun Central
Yishun North
Yishun South
Yishun West
Zhu Jiao

Auto Br – Automated Branch

International Banking Offices

DBS Beijing
Units 1009-1018
Level 10 China World Tower
China World Tower Center
No.1 Jianguomenwai Avenue
Beijing 100004
People's Republic of China
Tel 86 10 6505 1216
Fax 86 10 6505 4831

DBS Bangkok
International Banking Facility
Diethelm Towers Tower A
Suite 1202-3, 93/1 Wireless Road
Lumpini Pathumwan Bangkok
Thailand 10330
Tel 66 2 252 2538
Fax 66 2 256 0259

DBS Hong Kong
27th Floor, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2868 3386
Fax 852 2596 0577

DBS Jakarta Representative Office
Ratu Plaza Building 25th Floor
Jalan Jenderal Sudirman No. 9
Jakarta 10270, Indonesia
Tel 62 21 720 7844
Fax 62 21 720 7841

DBS Kuala Lumpur
Representative Office
Suite 11.2, Level 11 Menara IMC
Mail Box 23, 8 Jalan Sultan Ismail
Kuala Lumpur 50250, Malaysia
Tel 03 201 5622
Fax 03 201 5623

DBS Labuan Branch
Level 12 (E) Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 W.P. Labuan, Malaysia
Tel 087 423 375
Fax 087 423 376

DBS London
7th Floor, Finsbury Circus House
12-15 Finsbury Circus
London EC2M 7BT
United Kingdom
Tel 44 171 628 3288
Fax 44 171 628 8288

DBS Los Angeles
445 South Figueroa Street
Suite 2550, Los Angeles
CA 90071, USA
Tel 1 213 627 0222
Fax 1 213 627 0228

DBS Mumbai
122 Maker Chambers IV
12th Floor, Nariman Point
Bombay 400 021, India
Tel 91 22 282 6991
Fax 91 22 287 5602

DBS New York Agency
420 Fifth Avenue
27th Floor, New York
NY 10018, USA
Tel 1 212 997 7500
Fax 1 212 997 5713

DBS Osaka
9F Sanei Building
1-2-4 Nishi-Shinsaibashi
Chuo-ku Osaka 542, Japan
Tel 81 6 6281 0381
Fax 81 6 6243 0086

DBS Provincial International
Banking Facility, Rayong
4th Floor, Samaphan Building
180/1 Sukhumvit Road
Amphur Muang
Rayong 21000, Thailand
Tel 66 38 861 867
Fax 66 38 861 871

DBS Seoul
CPO Box 9896
20th Floor, Kwanghwamoon Building
64-8 1-Ka Taepyungro Chung-ku Seoul
South Korea
Tel 82 2399 2660
Fax 82 2732 7953

DBS Shanghai
28th Floor, China Merchants Tower
66 Lu Jia Zui Road, Pudong
Shanghai 200120, China
Tel 86 21 5876 7698
Fax 86 21 5876 7839

DBS Taipei
117 Min Sheng East Road
Section 3, 5th Floor Unit A
Walsin Financial Building
Taipei, Taiwan
Tel 886 2 2713 7711
Fax 886 2 2713 7774

DBS Tokyo
606 Yurakucho Denki Building
1-7-1 Yurakucho
Chiyoda-ku Tokyo 100
Japan
Tel 813 3213 4411
Fax 813 3213 4415

DBS Yangon Representative Office
408/410 Maha Bandoola Street
Samsung Plaza, #05-01/02/03
Kyauktada Township
Union of Myanmar
Tel 951 249 483
Fax 951 249 457

Subsidiaries & Associated Companies

Subsidiaries

(% are as at 30 April 1999)

Principal Activities: Commercial Banking

DBS Bank Philippines, Inc
6/F, Enterprise Center Tower Two
6766 Ayala Avenue
corner Paseo de Roxas
Makati City, Philippines
Tel 632 886 5888
Fax 632 886 5026/752 2328
60% owned by DBS Bank

Kwong On Group
– Kwong On Bank, Limited
Temporary Head Office:
Asia Standard Tower
59-65 Queen's Road Central
G.P.O Box 9824, Hong Kong
Tel 852 2815 3636
Fax 852 2850 6129
97.07% owned by DBS Bank

– Subsidiaries:

Kwong On Finance Ltd
Kwong On Bank (Nominees) Ltd
Kwong On Insurance Company Ltd
Kwong On Futures Ltd
Kwong On Property Agency Company Ltd
Kwong On Bank Jubilee Charity Fund Ltd
Kwong On Secretary Ltd

PT Bank DBS Buana
Ratu Plaza Building
25th Floor, Jalan Jenderal
Sudirman No.9
Jakarta 10270, Indonesia
Tel 62 21 720 4533/40
Fax 62 21 720 4527/8
85% owned by DBS Bank

The Thai Danu Bank Public Company Ltd
393 Silom Road,
Bangrak Bangkok 10500
Thailand
Tel 662 230 6000/233 9160 to 79
Fax 662 236 7939
50.27% owned by DBS Bank

Principal Activities: Computer Services, IT Consultancy, IT Education and Facilities Management, E-Commerce

DBS Computer Services Pte Ltd
6 Shenton Way 43rd Floor
DBS Building Tower One
Singapore 068809
Tel 228 2308/321 5850
Fax 323 4662
100% owned by DBS Bank

IBEXCo Pte Ltd
6 Shenton Way #35-03
DBS Building Tower One
Singapore 068809
Tel 325 7701
Fax 224 7538
51% owned by DBS Computer Services Pte Ltd

Principal Activities: Computer Services and IT Consultancy

POSB Computer Services Pte Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel 220 1111
Fax 221 0403
100% owned by DBS Bank

Principal Activities: Corporate Finance & Advisory Services

DBS Asia Capital Ltd
26th Floor, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2918 0399
Fax 852 2868 0250
100% owned by DBS Bank

Principal Activities: Credit and Charge Card Operations

DBS Card Centre Pte Ltd
1 Kim Seng Promenade
#09-09 Great World City West Tower
Singapore 237994
Tel 1800 835 1234
Fax 834 1840/734 2165
100% owned by DBS Bank

Principal Activities: Venture Capital Investments

DBS Capital Investments Ltd
6 Shenton Way #20-09
DBS Building Tower Two
Singapore 068809
Tel 220 1111/321 6446
Fax 227 6811
100% owned by DBS Bank

Principal Activities: Domestic/ International Factoring and Trade Financing

DBS Factors Pte Ltd
112 Robinson Road #09-00
DBS Finance Building
Singapore 068902
Tel 225 6388
Fax 225 8257
100% owned by DBS Bank

Principal Activities: Finance Company

DBS Finance Ltd
112 Robinson Road
DBS Finance Building
Singapore 068902
Tel 223 0355
Fax 223 5066
100% owned by DBS Bank

Principal Activities: Financial Services and Investment Holding

DBS Asia Ltd
27/F, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2868 3386
Fax 852 2596 0577
100% owned by DBS Bank

Principal Activities: Provision of Housing Loans

Credit POSB Pte Ltd
79 Robinson Road #10-00
Singapore 068897
Tel 221 9522
Fax 224 5620
100% owned by DBS Bank

Principal Activities:
Foreign Exchange Dealership

DBS Forex Center Philippines, Inc
6/F, Enterprise Center Tower Two
6766 Ayala Avenue
corner Paseo de Roxas
Makati City, Philippines
Tel 632 886 5888
Fax 632 886 5026
100% owned by DBS Bank

Principal Activities: Futures Trading

DBS Futures Hong Kong Ltd
26th Floor, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2526 2002
Fax 852 2877 1936
100% owned by DBS Securities Hong Kong Ltd

DBS Trading Pte Ltd
6 Shenton Way #02-00
DBS Building Tower One
Singapore 068809
Tel 223 3064
Fax 225 2963
100% owned by DBS Bank

Principal Activities: Group Financing

Singapore Factory Development Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel 220 1111
Fax 221 1306
100% owned by DBS Bank

Principal Activities: Investment Holding

DBS Group Holdings (Hong Kong) Ltd
27th Floor, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2868 3386
Fax 852 2596 0577
100% owned by DBS Bank

DBS Pte Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel 220 1111
Fax 221 1306
100% owned by DBS Bank

DBS Securities Holding Pte Ltd
22 Malacca Street
DBS Securities Building
Singapore 048980
Tel 533 9688
Fax 534 0819
100% owned by DBS Bank

DBS Securities Malaysia Pte Ltd
22 Malacca Street
DBS Securities Building
Singapore 048980
Tel 533 9688
100% owned by DBS Securities Holding Pte Ltd

DBSF Holdings Pte Ltd
112 Robinson Road
DBS Finance Building
Singapore 068902
Tel 223 0355
Fax 223 5066
100% owned by DBS Finance Ltd

Principal Activities:
Investment Management Services

DBS Asset Management Ltd
6 Raffles Quay #13-01/07
John Hancock Tower
Singapore 048580
Tel 221 8733
Fax 221 7018
100% owned by DBS Bank

DBS Asset Management
(United States) Pte Ltd
6 Raffles Quay #13-01/07
John Hancock Tower
Singapore 048580
Tel 221 8733
Fax 221 7018
100% owned by DBS Asset Management Ltd

Hwang-DBS Asset Management
(Malaysia) Sdn Bhd
1st Floor, Plaza MBf
Jalan Ampang
50450 Kuala Lumpur
Tel 03 262 1886
Fax 03 262 1723
51% owned by DBS Asset Management Ltd

Principal Activities: Manufacturing

Inter-Roof Manufacturing
Company Limited
18/8 Srivikorm Building
11th Floor Soi Sukhumvit 21
(Asoke), Sukhumvit Road
Klong-Toey Nua, Wattana,
Bangkok 0110, Thailand
Tel 662 260 3700 8
Fax 662 260 3709
70.91% owned by The Thai Danu Bank
Public Company Ltd

Principal Activities: Securities Services

DBS Securities UK Ltd
7th Floor Finsbury Circus House
12-15 Finsbury Circus
London EC2M 7BT
Tel 44 171 551 1138
Fax 44 171 551 1123
100% owned by DBS Securities Holding Pte Ltd

Principal Activities:
Market Research Consultants

DBS Investment Research Pte Ltd
22 Malacca Street
DBS Securities Building
Singapore 048980
Tel 533 9688
Fax 533 7903
100% owned by DBS Securities Singapore Pte Ltd

Principal Activities: Merchant Banking

NDC Merchant Bank Ltd
6 Shenton Way #41-00
DBS Building Tower One
Singapore 068809
Tel 220 8133 (General)/220 5544 (Dealing)
Fax 224 4532
100% owned by DBS Bank

Principal Activities: Property Holding

DBSF Investments Pte Ltd
112 Robinson Road
DBS Finance Building
Singapore 068902
Tel 223 0355
Fax 223 5066
100% owned by DBS Finance Ltd

DBS China Square Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel 220 1111
Fax 222 1035
70% owned by DBS Bank

Principal Activities: Stockbroking

DBS Securities Hong Kong Ltd
26th Floor, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2526 2002
Fax 852 2877 1936
100% owned by DBS Securities Holding Pte Ltd

DBS Securities Philippines, Inc.
11/F, Sage House, 110 Herrera Street
Legaspi Village, Makati, Metro Manila
Philippines
Tel 63 2 812 8361 to 68
Fax 63 2 894 2551/894 2350
100% owned by DBS Securities Holding Pte Ltd

DBS Securities Singapore Pte Ltd
22 Malacca Street
DBS Securities Building
Singapore 048980
Tel 533 9688
Fax 533 8623
100% owned by DBS Securities Holding Pte Ltd

DBS Thai Danu Securities Ltd
18th Floor, SPP Tower 3
88 Silom Road
Bangrak Bangkok 10500, Thailand
Tel 662 634 1351 to 60
Fax 662 634 1367
49% owned by DBS Securities Holding Pte Ltd
50.99% owned by The Thai Danu Bank Public Company Ltd

DBS-Capital Trust Securities India Pvt Ltd
Capital Trust House
47 Community Cente
Friends Colony
New Delhi 110065, India
Tel 91 11 631 5710
Fax 91 11 631 8051
75% owned by DBS Securities Holding Pte Ltd

PT DBS Securities Indonesia
Wisma Diners Club, 12th Floor
Jalan Jenderal Sudirman 34
Jakarta 10220, Indonesia
Tel 62 21 5708585
Fax 62 21 5708475
55% owned by DBS Securities Holding Pte Ltd

Principal Activities: Savings and Mortgage Banking

DBS Savings Bank Philippines, Inc
Parkview Building
112 Gamboa Street
Legaspi Village, Makati City
Metro Manila
Philippines
Tel 63 2 750 2098/867-2886
Fax 63 2 812 2332
100% owned by DBS Bank Philippines, Inc

Principal Activities: Custodian, Trust & Nominee Services

DBS Finance Nominees Pte Ltd
112 Robinson Road
DBS Finance Building
Singapore 068902
Tel 223 0355
Fax 223 5066
100% owned by DBS Finance Ltd

DBS Nominees Pte Ltd
24 Raffles Place #B1-00
Clifford Centre
Singapore 048621
Tel 220 1111
Fax 533 9271
100% owned by DBS Bank

DBS Trustee Limited
24 Raffles Place
#01-08 Clifford Centre
Singapore 048621
Tel 220 1111
Fax 535 9569
20% owned by DBS Bank
20% owned by DBS Finance Ltd
20% owned by DBS Nominees Pte Ltd
20% owned by DBS Pte Ltd
20% owned by Singapore Factory Development Ltd

DBS Securities Nominees Pte Ltd
22 Malacca Street
DBS Securities Building
Singapore 048980
Tel 533 9688
Fax 536 7443
100% owned by DBS Securities Singapore Pte Ltd

DBS Securities Nominees (HK) Ltd
26th Floor, CITIC Tower
No.1 Tim Mei Avenue
Central, Hong Kong
Tel 852 2526 2002
Fax 852 2877 1936
100% owned by DBS Securities Hong Kong Ltd

NDC Merchant Bank Nominees Pte Ltd
6 Shenton Way #41-00
DBS Building Tower One
Singapore 068809
Tel 220 8133
Fax 224 4532
100% owned by NDC Merchant Bank Ltd

Thai Danu DBS Ltd
399/1 Siri Building
4th Floor Silom Road
Bangrak Bangkok 10500
Thailand
Tel 662 230 5647/266 9777 to 9
Fax 662 230 5863
51% owned by The Thai Danu Bank Public Company Ltd

Associated Companies

(% are as at 31 December 1998)

Principal Activities: Electronic Funds Transfer

Network for Electronic Transfers (Singapore) Pte Ltd
298 Tiong Bahru Road
#04-01/06 Tiong Bahru Plaza
Singapore 168730
Tel 272 0533
Fax 272 2334
28.57% owned by DBS Bank

Principal Activities: Financial Services

Investment and Capital Corporation of The Philippines
15th Floor, Solidbank Building
777 Paseo de Roxas
Makati 1226, Metro Manila
The Philippines
Tel 632 811 4656
Fax 632 819 0941
20% owned by DBS Bank

The Insurance Corporation of Singapore Ltd
137 Cecil Street, ICS Building
Singapore 069537
Tel 221 8686
Fax 224 7242
49.40% owned by DBS Bank

Orix Leasing Singapore Ltd
331 North Bridge Road
#19-01/06, Odeon Towers
Singapore 188720
Tel 339 3622
Fax 339 3966
30% owned by DBS Bank

Principal Activities: Industrial/Manufacturers

Fujitec Singapore Corporation Ltd
204 Bedok South Avenue 1
Singapore 469333
Tel 241 6222
Fax 444 7626
26% owned by DBS Bank

Singapore Polymer Corporation (Pte) Ltd
10 Jalan Buroh
Singapore 619471
Tel 265 2544
Fax 261 7033
38.73% owned by DBS Bank

Yamaha Music (Asia) Pte Ltd
11 Ubi Road 1
#06-02 Meiban Industrial Building
Singapore 408723
Tel 747 4374
Fax 747 2668
20% owned by DBS Bank

Principal Activities: Investment Holding

General Securities Investments Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel 220 1111
41.76% owned by DBS Bank

Hwang – DBS (Malaysia) Bhd
Levels 2, 3, 4, 7 and 8
Wisma Sri Pinang
60 Green Hall
10200 Penang, Malaysia
Tel 04 263 6996
Fax 04 263 9597
23.94% owned by DBS Group

Transpac Investments Ltd
Registered Address:
PO Box 957
Offshore Incorporations Centre
Road Town, Tortola
The British Virgin Islands

Mailing Address:
Suite 3322
33rd Floor, Two Pacific Place
88 Queensway, Hong Kong
Tel 852 2525 2661
Fax 852 2877 6612
32% owned by DBS Bank

Principal Activities: Property

DBS Land Ltd
39 Robinson Road
#18-01 Robinson Point
Singapore 068911
Tel 536 1188
Fax 536 3788
28.33% owned by DBS Group

Shenton Realty Corporation
(with effect from 17 May 1999)
The Enterprise Center
Tower 2, 6th Floor
6766 Ayala Avenue
Makati City 1200
Tel 632 886 5888
38.40% owned by DBS Group

Shenton Corporation
(with effect from 17 May 1999)
The Enterprise Center
Tower 2, 6th Floor
6766 Ayala Avenue
Makati City 1200
Tel 632 886 5888
24% owned by DBS Group

Principal Activities: Venture Capital Management

Transpac Capital Pte Ltd
6 Shenton Way #20-09
DBS Building Tower Two
Singapore 068809
Tel 224 1211
Fax 225 5538
32% owned by DBS Bank

Venture Investment Management (S) Pte Ltd
331 North Bridge Road
#05-04/06, Odeon Towers
Singapore 188720
Tel 339 9090
Fax 339 8247
24.50% owned by DBS Bank

Transtech Venture Management Pte Ltd
6 Shenton Way #20-09
DBS Building Tower Two
Singapore 068809
Tel 224 1211
Fax 225 5538
40% owned by DBS Group

Venture Investment Management II Ltd
331 North Bridge Road
#05-04/06, Odeon Towers
Singapore 188720
Tel 339 9090
Fax 339 8247
30% owned by DBS Group

Financial Calendar

Payment date of 1997 Final Dividend on Ordinary Shares and Preferential Dividend on Non-Redeemable Convertible Preference Shares	29 May 1998
Payment date of 1998 Interim Dividend	8 September 1998
Financial year-end	31 December 1998
Announcement of half-year results 1998	12 August 1998
Announcement of full-year results 1998	8 March 1999
Annual General Meeting	19 June 1999
Proposed payment date of 1998 Final Dividend on Ordinary Shares, Preferential Dividend on Non-Redeemable Convertible Preference Shares and Dividend on Non-Voting Convertible Preference Shares	9 July 1999
Announcement of half-year results 1999	August 1999
Announcement of full-year results 1999	March 2000

Notice of Annual General Meeting

The Development Bank of Singapore Ltd (Incorporated in the Republic of Singapore)

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting of the Shareholders of the Company will be held in Meeting Room 3, 18th Storey, DBS Building Tower One, 6 Shenton Way, Singapore 068809 on Saturday, 19 June 1999 at 11.00 am to transact the following business:-

1 To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 1998 and the Auditors' Report thereon.

2A To declare a Final Dividend of 9 cents per ordinary share, less income tax, for the year ended 31 December 1998.

2B To declare a Preferential Dividend of 1.5% or 3 cents per Non-Redeemable Convertible Preference Share, less income tax, for the year ended 31 December 1998.

2C To declare a Final Dividend of 9 cents per Non-Voting Convertible Preference Share, less income tax, for the year ended 31 December 1998.

3 To sanction the amount proposed as Directors' Fees.

4A To re-elect the following Directors retiring under Article 95 of the Company's Articles of Association:

a. Mr Bernard Chen Tien Lap; and
b. Professor Tommy Koh Thong-Bee.

4B To re-elect the following Directors retiring under Article 74(b) of the Company's Articles of Association:

a. Mr S. Dhanabalan;
b. Mr John T. Olds;
c. Mr Fock Siew Wah; and
d. Mr Moses Lee Kim Poo.

5 To re-appoint Messrs Price Waterhouse as Auditors of the Company and to authorise the Directors to fix their remuneration.

6 As Special Business

To consider and, if thought fit, to pass the following Resolutions as ORDINARY RESOLUTIONS:-

Ordinary Resolutions

6A 'That pursuant to Section 161 of the Companies Act, Cap 50 and the listing rules of the Stock Exchange of Singapore Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED THAT the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro-rated basis to shareholders of the Company does not exceed 20 per cent of the issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.'

6B 'That for the purposes of Chapter 9A of the Listing Manual of the Stock Exchange of Singapore Limited:

(a) approval be and is hereby given for the renewal of the mandate (adopted at the Extraordinary General Meeting of the Company held on 9 May 1998) for the Company, its subsidiaries and target associated companies or any of them to enter into transactions falling within the types of Interested Person Transactions as set out in the Company's Circular to Shareholders dated 16 April 1998 with any party who is of the class of Interested Persons described in the Circular, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Circular; and

(b) such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company.'

Statement Pursuant to Article 46 of the Articles of Association of the Company

Resolution No. 6A is to empower the Directors to issue shares in the capital of the Company up to an amount not exceeding in aggregate 50 per cent of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than a pro rata basis to shareholders of the Company does not exceed 20 per cent of the issued share capital of the Company for the time being.

By Order of The Board

Heng Lee Cheng (Ms)
Group Secretary
The Development Bank of Singapore Ltd
24 May 1999
Singapore

Notes

An ordinary shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote in his stead. An ordinary shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The Instrument appointing a proxy must be deposited at the Company's Registered Office at 6 Shenton Way, DBS Building Tower One, Singapore 068809, at least 48 hours before the time for holding the Meeting.

Important

1 For investors who have used their CPF monies to buy DBS Bank shares, the annual report is forwarded to them at the request of their CPF Approved Nominees WITHOUT THE PROXY FORM and is sent solely FOR INFORMATION ONLY.

2 For holders of Non-Redeemable Convertible Preference Shares (NCPS), the annual report is forwarded to them WITHOUT THE PROXY FORM and is sent solely FOR INFORMATION ONLY.

3 For holders of Non-Voting Convertible Preference Shares (NVPS), the annual report is forwarded to them WITHOUT THE PROXY FORM and is sent solely FOR INFORMATION ONLY.

4 This Proxy form is not valid for use by CPF Investors, NCPS shareholders and NVPS shareholders and shall be ineffective for all intents and purposes if used or purported to be used by them.

Proxy Form

DBS BANK

The Development Bank of Singapore Ltd (Incorporated in the Republic of Singapore)

I / We _____ of

_____

being an Ordinary Shareholder(s) of The Development Bank of Singapore Ltd hereby appoint Mr/Mrs/Ms

_____

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies, to vote for me/us and on my/our behalf at the Thirty-First Annual General Meeting of the Company, to be held on Saturday, 19 June 1999 and at any adjournment thereof in the following manner:-

Resolutions		For	Against
Ordinary Business			
1	Adoption of Report and Accounts.		
2A	Declaration of Dividend on Ordinary Shares.		
2B	Declaration of Dividend on Non-Redeemable Convertible Preference Shares.		
2C	Declaration of Dividend on Non-Voting Convertible Preference Shares.		
3	Approval of amount proposed as Directors' Fees.		
4A	Re-election of the following Directors retiring under Article 95:- (a) Mr Bernard Chen Tien Lap (b) Professor Tommy Koh Thong-Bee		
4B	Re-election of the following Directors retiring under Article 74(b):- (a) Mr S. Dhanabalan (b) Mr John T. Olds (c) Mr Fock Siew Wah (d) Mr Moses Lee Kim Poo		
5	Re-appointment of Auditors.		
Special Business			
6A	Approval to issue Shares pursuant to Section 161 of the Companies Act, Cap 50.		
6B	Renewal of the Mandate for Interested Person Transactions.		

If you wish to exercise all your votes For or Against, please tick with "✓". Alternatively, please indicate the number of votes For or Against each resolution.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy shall vote as the proxy deems fit.

As witness my/our hand(s) this _____ day of _____ 1999.

_____ _____

Signature or Common Seal of Shareholder No. of Ordinary Shares held

Important: Please Read Notes Overleaf

Notes

1 Please insert the total number of Ordinary Shares held by you. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members.

2 A Member entitled to attend and vote at a Meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

3 Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his share holding (expressed as a percentage of the whole) to be represented by each proxy.

4 The Instrument appointing a proxy must be deposited at the registered office of the Company at 6 Shenton Way, DBS Building, Singapore 068809, not less than 48 hours before the time appointed for the Annual General Meeting.

5 The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6 A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.

7 The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

DBS BANK

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